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**ENFORCING GLOBAL STRATEGIES IN SUBSIDIARIES OF HIGHLY
DECENTRALIZED MULTINATIONAL CORPORATIONS**

The Role of International Sales Managers

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Abstract

Enforcing Global Strategies in Subsidiaries of Highly Decentralized Multinational Corporations

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Resistance of subsidiaries of multinational corporations to global coordination efforts by their headquarters is an important contemporary research subject in the field of international business studies. This case study of sales and marketing organizations in five international subsidiaries of a highly divisionalized corporation illustrates how the capabilities and the willingness to adopt and pursue global strategies is strongly influenced by local situational and organizational factors. The defining business problem was different in each country organization, ranging from product related issues such as quick innovation cycles and price competition, to economic concerns like emerging market dynamics and economic crisis, and other problems related to cultural dissimilarity. A large degree of divisionalization seems to dilute central leadership, as central managers compete for the attention and the resources of the subsidiaries and local managers behave like independent distributors, picking and choosing the most favorable offerings. In order to establish successful leadership in the absence of hierarchical control, intermediate central sales and marketing managers need to first of all internally coordinate their activities towards their local counterparts. Top management needs to establish legitimate authority of intermediate managers by clear definitions of international matrix roles and management procedures. Central sales and marketing managers need to have enough international field experience to be able to correctly assess the different local situations, advance their initiatives in a diplomatic way on all local hierarchy levels and to become overall credible and accepted partners for the local teams. Directly engaging in field activities with local customers and sales teams seems to help achieving these objectives and thus to contribute to the successful enforcement of global strategies.

Dedication

This thesis is dedicated to my dear family who was greatly supportive and understanding during these 5 long years of research.

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Abbreviations

MNC = multinational corporation
MNE = multinational enterprise
SBU = strategic business unit
TCE = transaction cost economics

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Chapter 1: Introduction

This case study addresses a management challenge faced by one division of a divisionalized multinational corporation (MNC) in the life-sciences industry. Its intermediate central headquarters managers found difficulties in implementing defined global strategies in subsidiary sales and marketing organizations, in the absence of disciplinary control over their local counterparts. Specifically, local managers often resisted corporate strategic initiatives of focusing efforts and investments on certain strategic product groups, compromising the corporate strategic plan. As an example, two of the subsidiaries analyzed in this study persistently refused to focus on declared divisional core business areas, favoring other internationally less prioritized fields. Addressing these issues, this research was developed to make a contribution to the practice of management in highly divisionalized multinational corporations and thus to add to the current theoretical debate on managing MNCs.

The specific problem for central managers in this case lies within the fact that the subsidiaries of this MNC are very autonomous in their decision making with respect to resource allocation to numerous divisions and strategic business units (SBUs). Their general managers report directly to central top managers, not at a divisional, let alone SBU level. The central divisional organizations thus need to find ways to implement their global strategies in spite of a potentially strategically uncoordinated planning, where the sum of country sales planning by each SBU is not aligned with the sales planning by product groups or SBUs performed by central managers (Figure 1).

Highly divisionalized multi-national corporations (MNCs) face the dilemma of needing to be capable of pursuing global strategies and simultaneously remaining responsive to local needs and opportunities at the level of their country subsidiaries. While neither a pure organization according to countries or regions, nor a pure world-wide organization according to product groups or businesses can ensure both objectives, many corporations have organized in international matrices. Ideally this organization form equally balances the

global and local needs. In order to implement their sales plans, central managers need to find ways of establishing and maintaining central management control concerning the local country sales organizations in the absence of hierarchical power. The objective of this study is to analyze one division of an MNC with respect to this problem area and to identify successful reproducible strategies of central managers dealing with it.

To guide this research, the principle research question was defined as:

‘How can central divisional sales and marketing managers enforce global strategies in subsidiaries of highly decentralized multi-national corporations?’

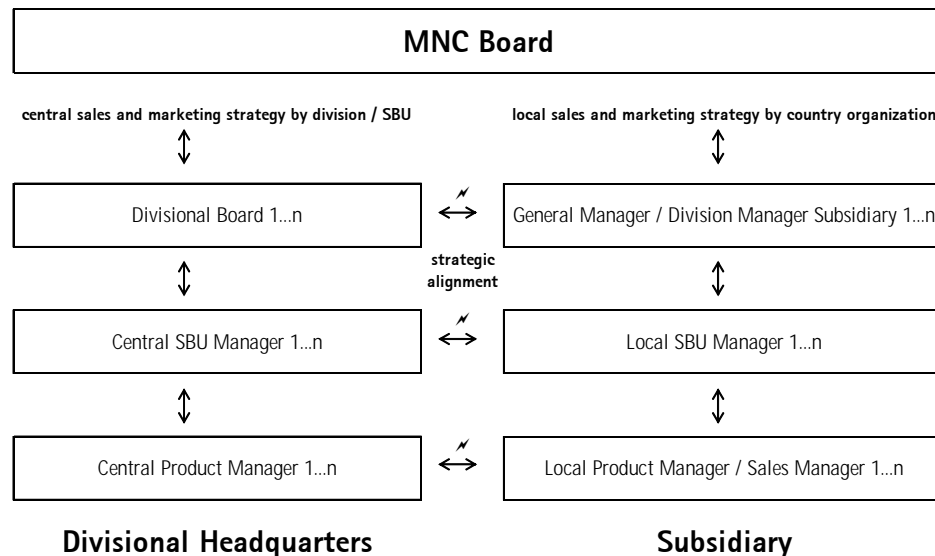


Figure 1: Challenges in Strategic Alignment Due to Parallel Reporting Lines

The research approach is an embedded case study, one division of an MNC being the principle case and the divisional sales and marketing organizations the embedded sub-units. The data collection comprises complementary interview and survey methods. The qualitative element is based on 32 semi-structured interviews with central and local sales and marketing managers involved at different hierarchy levels. The quantitative data consists of two performance surveys of 141 local country sales and marketing organizations.

This research is structured by the following sub-questions:

How are situational and organizational influence factors specific to individual subsidiaries impacting on global sales and marketing strategy implementation?

How are decentralization, delegation and the absence of disciplinary control influencing the implementation of global sales and marketing strategy?

What are successful activities and tools to improve central control?

How useful are performance surveys for the improvement of international sales force effectiveness?

Chapter 2: Theoretical Underpinnings

In order to develop a framework to answer the research questions, a literature review identifies different streams of theory and conceptualization that underpin the research area (Figure 2).



Figure 2: Streams of Literature Surrounding the Research Questions

The theoretical development of globalization strategy emerged with the structure/strategy paradigm initiated by Alfred Chandler (1962). It has evolved in the late 20th century to address the strategies of multinational corporations in the context of globalized economies (Prahalad and Doz, 1987, Bartlett and Ghoshal, 1998). This has led to an ongoing discussion about the relationship between headquarters and subsidiaries (e.g. Hewett and Bearden, 2001), with authors both from the strategy and the marketing paradigms. The latter has also contributed to the area of interest by discussing the topic of local versus global marketing strategies. Another major stream of literature initiated by Ouchi (1979) is dealing with the forms and antecedents of management control. This theory has been adapted to the field of sales management (Anderson and Oliver, 1987) and more recent publications have been trying to understand sales management control in an international context (e.g. Piercy, 2011). An important aspect surrounding this

topic area is performance measurement in sales (Zoltners et al., 2008) and in international subsidiaries (Schmid and Kretschmer, 2010). A further literature stream dominated by Hofstede (1983) deals with cultural aspects of international business.

This chapter is divided into three main sections. The first section concerns organizational structure and control, the second is specifically focused on management control in an international context. In the third section we summarize the findings from the literature review and present the relevance for this research, including the development of a framework for the analysis of MNCs and their local sales and marketing organizations.

2.1 Theories on Organizational Structure and Control

2.1.1 The Evolution of the Multinational Corporation

In his seminal study of the development of major American Enterprises from the 1880s to the 1950s, Alfred Chandler (1962) found that *‘a company’s strategy in time determined its structure and that the common denominator of structure and strategy has been the application of the enterprise’s resources to market demand.’* (Chandler, 1962: 383). He described how the four key growth strategies of volume expansion, geographic dispersion, vertical integration and product diversification have successively forced companies to *‘reshape the channels of communication and authority...’* (Chandler, 1962: 385). Volume expansion and vertical integration of marketing and supply channels have led to the creation of functional departments, lines of authority, the development of sophisticated administrative planning, coordination and telecommunication skills. Product diversification then first led to the emergence of separate autonomous divisions and eventually to the creation of general offices where executives, *‘...freed from all but the most essential entrepreneurial duties...’* (Chandler, 1962: 394), could decide whether new products could be integrated in existing divisions or required the creation of new ones. Buckley and Casson (1976) *‘date the ‘take-off’ of*

MNEs (MNE = multinational enterprise; we use this term synonymously to MNC) *to just after the end of the Second World War.*' (Buckley and Casson, 1976: 2). They found that very large MNCs were typically present in more than 20 countries and easily switched their foreign investments between international subsidiaries. The authors' statistical analysis suggested that *'MNEs tend to predominate in industries which are highly concentrated and in which intensive use is made of managerial skills, marketing skills and R and D.'* (Buckley and Casson, 1976: 20). Explaining these findings, based on the hypotheses of Coase (1937), Buckley and Casson have formulated the theory of internalization, that they establish as the foundation of a general theory of the firm and the multinational enterprise (Buckley and Casson, 2009: 1570). As opposed to neoclassical theory that assumes a technological determination of the size of the firm, the theory of internalization predicts that, due to information asymmetries vis-à-vis e.g. technology suppliers, entrepreneurs will prefer to organize intermediate inputs, e.g. the function of research and development, inside a firm as opposed to buying intermediate products or services from other external companies. They will continue doing so, as long as the cost of internalization is inferior to the external cost of purchasing the service.

Calvet (1981) presents a classification of theories of the multinational firm and direct foreign investment. They identify 4 classes of theories following the market imperfections paradigm, sorted *'roughly in the order of increasing need for control over foreign operations.'* (Calvet, 1981: 44). *'Market disequilibrium hypotheses'*, particularly the *'Hymer-Kindleberger (HK) theory'* (Buckley and Casson, 1976: 67-72, according to Hymer, 1960 and Kindleberger, 1969), see direct foreign investment as a force balancing differences in currency, labor cost, technological innovation and return on capital assets in segmented geographical markets, assuming that it will come to an end when equilibrium is once again reached. *'Government imposed distortions'* are any positive or negative investments incentives by foreign or host governments such as any policies concerning taxes, prices, wages, labor migration, trade barriers, anti-trust laws, etc.. *'Market structure imperfections'* refers to imperfect competition where companies can engage

in activities that influence price levels for example by exploiting domestically developed differentiation abroad, taking matured domestic products overseas or by imitating competitors pursuing such strategies in oligopolistic markets. Finally '*market failure imperfections*' describe conditions of market failure, where classical technical assumptions about perfect markets no longer hold. Economies of scale and technological and managerial knowledge are examples of such imperfections. Calvet further identifies the theories of appropriability, of internalization, of diversification, of transaction cost and of property rights as essential elements of the theory of international business.

In their longitudinal study of the internationalization process of ten pharmaceutical and scientific instrument companies, Buckley and Chapman (1997) found that internationalization can occur on an MNC level, a divisional level or at a SBU or individual manager level. MNCs thus can simultaneously pursue several internationalization strategies that are potentially unconcerted or even conflicting.

Building on Chandler's research, Galbraith and Kazanjian (1986) found that in the 1970s, while the different industries were becoming more and more globalized, divisionalized MNCs needed to pursue strategies of increasing diversity. They argued that the matrix organization was the appropriate answer to this complex challenge. They held that in global competition, world-wide cash-flow needed to be managed, instead of local profit-centers as '*The global competitor is one who cross-subsidizes countries in the fight for market-share*' (Galbraith and Kazanjian, 1986: 43). This required a presence in all major international markets in order to be able to attack and retaliate to competitive attacks on a global basis and an international coordination across profit centers, namely matrix organizations. The historical reasoning behind local profit centers had been the need for locally adapted products, a notion that is more and more disappearing in favor of world-products. A pure, world-wide product oriented organization on the other hand has shown to be inflexible in dealing with local country institutions and regulations, where the relationships and knowledge of local managers is crucial to success.

Concerning the international structure of MNCs, Bartlett and Ghoshal (1998) identify 4 principle structures which they label '*multinational*', '*global*', '*international*' and '*transnational*'. In their 1992 survey of 131 top managers Leong and Tan found that 40% of respondents thought their companies represented the multinational form and 20% respectively for each of the other forms, and their study essentially confirmed the control mechanisms predicted by Bartlett and Ghoshal for each of these forms (Leong and Tan, 1992). The multinational form is structured for national responsiveness with independent national subsidiaries that are allowed to operate with substantial strategic freedom and organizational autonomy in order to be responsive to national market differences. Global companies on the other hand are designed to serve uniform world-markets with a maximum of global efficiency with centralized strategic and operational decision-making. International companies are based on '*transferring and adapting the parent's knowledge or expertise to foreign markets*' (Bartlett and Ghoshal, 1998: 17). They represent a middle way between the two first forms. According to Bartlett (1993) and Bartlett and Ghoshal (1998), major companies such as Procter & Gamble, Ericsson, Philips, Unilever and NEC, recognized in the nineteen-eighties, that the organizational dilemma of needing to be globally efficient, nationally responsive and capable of continuous learning at the same time could not be resolved by structural reorganization. It rather needed to be addressed by improving organizational capabilities concerning administration, communication and interpersonal relationships in order to build strategic and organizational flexibility, a managerial mentality that the authors called '*transnational*' (Bartlett and Ghoshal, 1998: 36-37). Instead of centralizing or decentralizing, the transnational corporation makes selective decisions in integrated international networks.

2.1.2 Organizational Structures of MNCs

'Classic' Organizational Structures

Mintzberg (1979) has proposed 4 elements of organizational structuring. Concerning *mechanisms of coordination*, the author distinguishes direct

supervision, meaning direct orders from a superior to coordinate activities, mutual adjustment, meaning coordination of employees by means of informal communication and standardization of work processes and skills. Another structural element are the *design parameters*. They include job specialization, behavior formalization (procedures, policies, job descriptions), training and indoctrination, unit grouping by functions or markets, unit size (control span), action planning, performance control systems, liaison devices for informal coordination of units (integrating managers, teams, task forces, and matrix structures), vertical (downward delegation) and horizontal (delegation to other people than line managers) decentralization. The *organization parts* exert different forces on the structure, each trying to maximize their own control and independence: the strategic apex (top management) is pushing for centralization and direct supervision, the middle line (line managers) for autonomy of their (sub-)units in the sense of divisionalization, the operating core (manufacturing workforce) for skills specialization and horizontal delegation, the techno-structure (planning and controlling functions) for standardization (*'because the design of standards is it's raison d'être'*; Mintzberg, 1979: 327) and the support staff (support functions) favor vertical and horizontal delegation. Age, size, the technical system, the environment and power (e.g. external control of the organization) are *contingency factors* for the organization form (Mintzberg, 1979).

According to these elements, Mintzberg has developed a typology of 5 basic configurations of organizational structure. The *'Simple Structure'* is typically seen in small, young organizations and dynamic environments, and marked by simple structures based on high centralization and direct supervision by the strategic apex. The *'Machine Bureaucracy'*, that often prevails in large, old organizations and simple and stable environments, is essentially managed by a centralized techno-structure with highly specialized and standardized jobs. For *'Professional Bureaucracies'* the environment is also typically stable, but complex, the jobs are also specialized, but much less formalized and the organization is marked by vertical and horizontal decentralization. Very large, mature organizations that are working in highly diversified markets develop the *'Divisionalized Form'* in which vertically

empowered market-based units are managed by standardization of outputs and elaborate performance control systems. *'Adhocracies'* are found in complex and dynamic environments. They are marked by decentralized vertical or horizontal function- and market-based matrix structures and frequent use of liaison devices.

The Matrix Organization

Galbraith and Kazanjian (1986) see local customers and competition, local responsiveness, adaptation and manufacturing as well as low R&D cost as features of the geographic organization and inversely global customers and competition, global integration, universal products and world-scale factories as well as high R&D cost as features of a pure organization by businesses. The matrix organization is seen as balancing the pros and cons of the two. Instead of going to 'full' matrix programs, companies can also introduce *'integrating functions'*, namely global product managers, or use matrices only for certain product groups and different organization forms for others. Also, these authors make a strong point, that matrix organizations need time to evolve, as a specific matrix-culture is needed for successful implementation.

2.1.3 Organizational Dilemmas of MNCs

Specific Problems of Matrix Organization Structures

Davis and Lawrence (1978) have studied a number of well-known MNCs, such as General Electric, Shell Oil, Texas Instruments, as they moved to matrix organizations in the 70s.

They define the matrix by the presence of certain roles: *'Every matrix contains three unique and typical roles; the top manager who heads up and balances the dual chains of command, the matrix bosses (functional, product, or area), who share sub-ordinates, and the managers who report to two different matrix bosses'* (Davis and Lawrence, 1978: 134). Reasons to choose the matrix organization form are seen in the need to respond

simultaneously to market and technological needs, substantial need for information processing due to uncertainties and financial and human resources constraints. While Davis and Lawrence identify advantages for this form in a better reactivity to changing technological and market requirements as well as facilitation for middle-managers to reach *'trade-off decisions from a general management perspective'* (Davis and Lawrence, 1978: 132).

They also found *'nine different pathologies to which they are particularly vulnerable'* (Davis and Lawrence, 1978: 131), which they named *'anarchy'*, *'power struggles'*, *'groupitis'*, *'collapse during economic crunch'*, *'sinking to lower levels'*, *'excessive overhead'*, *'navel gazing'*, *'layering'* and *'decision strangulation'*. With *'anarchy'* a situation is described where the matrix is *'latent'* in the sense that there is no codified agreement on the relationships between the horizontal and vertical matrix-managers, leading to difficulties in coordination. *'Power struggles'* lie within the nature of the matrix, as all matrix managers, while obliged to find a solution with their counterparts are also required to defend the interests of their departments. The obligation to compromise at the same time can lead to *'groupitis'*, meaning the tendency that all decisions be made by groups rather than by individuals. As many problem areas are only understood in sufficient depth by specialized group members, others are forced to get involved in areas beyond their typical competencies, taking their time without being able to contribute. *'Collapse during economic crunch'* describes the situation when in a period of economic downturn the top-management requires quick and decisive counter measures and reinstates full authority of the line managers and thus destroys the matrix culture. As doubling of responsibilities lies within the very nature of the matrix, fears of *'excessive overhead'* are predetermined, in particular when top managers are trying to fill all the theoretical boxes of the matrix with individuals. As a solution it is proposed to give multiple responsibilities to matrix managers. Other dangers for the matrix are uncontrolled layering or sinking to lower levels, e.g. *'...the product managers never relinquish their complete control, and the matrix fails to take hold at the corporate level'* (Davis and Lawrence, 1978: 138) while at the same time the product / function balance might work efficiently in the regional organizations. Or the

matrix '*metastasizes*' and the relationships within the organization become overly complicated at lower levels, the organization then also might become so preoccupied with internal coordination, that it loses sight of its market oriented objectives, a situation that Davis and Lawrence call '*navel gazing*'. '*Decision strangulation*', the incapability of reaching quick and decisive decisions, occurs when all decisions are separately discussed with two different superiors, or when the shared boss of two managers is several hierarchy steps above them, leading to a complicated conflict resolution process involving all the intermediate hierarchical positions. This is particularly difficult with managers with a directive unilateral management style.

In order to avoid such shortcomings, Davis and Lawrence on the one hand advise that the tasks and responsibilities of all matrix-members should be very explicit, and on the other hand the members need to be trained to understand that the principle of sharing power also requires sharing the same larger perspective and that they should practice friendly, but not destructive competition. The principle of team-work should be applied '*as often as necessary and as little as possible*' (Davis and Lawrence, 1978: 136).

Goold and Campbell (2003) find that many companies keep struggling with the complexities of matrix management to a point where some leading companies such as Shell or ABB are stating that it is no longer appropriate for them. The authors have identified lack of clarity in the role definitions of managers in matrix organizations as a major cause for organizational problems resulting from such designs. More specifically they name identification of the broad area of responsibility, the intended reporting relationship to upper levels of management, the intended horizontal relationships with other units in the company and the main accountabilities as important areas of clarification (Goold and Campbell, 2003: 353). Particularly the definition of lateral relationships is seen as critical, whereby relationship functions of '*mutual interest*', '*pressure groups*', '*service providers*', '*resource owners*' and '*teams*' are distinguished. Pressure groups e.g. are defined by a situation, where a principal is required to listen to and support the cause of

such a group, however he has the ultimate decision making power on how to implement the recommendations of this group.

Specific Problems of Multinational Organization Structures

Prahalad and Doz highlight the importance of resource allocation in MNCs, as they attribute the '*competitive posture*' of a business to the resource allocation decisions made by its subunits over time (Prahalad and Doz, 1987: 2). They point out the conflict between local and global orientation in this context. In a pure global product strategy with product managers having the sole responsibility for resource allocation, local adaptability would suffer. A pure regional organization on the other hand wouldn't allow for the development of a global strategy. Prahalad and Doz find that in many cases companies are trying to resolve this dilemma with reorganizations. The authors do not believe that such attempts can be successful as they think that the only solution can lie in the mind-set of the managers who are '*expected to reflect global and local perspectives*' (Prahalad and Doz, 1987: 179). Prahalad and Hamel (1985) find that global strategy involves cross-subsidizing of certain geographic regions with funds gained in other regions. Within regions on the other hand there might be a need for cross-subsidizing one strategic business unit with funds gained from another. In this context they point out that neither a strong strategic business organization nor a strong regional organization may be advantageous for global resource allocation (Prahalad and Hamel, 1985: 147).

Doz et al. (1986) point out the difficult administrative challenge of management: '*...the structuring of the company's internal decision-making process to allow the organization to sense, interpret, and respond to tensions, and the resolution of the often contradictory demands for global competitiveness and national responsiveness.*' (Doz et al., 1986: 63). They point out the cost savings of concentrating global manufacturing as well as the advantages of retaining competitive advantage in product and process technologies. On the other hand national responsiveness will often require dilution of global consistency. '*Because of the inherent conflict between*

national and global views, management cannot limit commitments to those projects agreed upon by both subsidiary managers and product division headquarters executives.' (Doz et al., 1986: 65). The authors propose 4 different modes to address this management dilemma. *Substantive Decision Management* means ensuring that each group of managers is strong enough to articulate their respective view points. This however leads to biased information provided to top management, top management overload, as many decisions are being delegated upward, and lacking implementation commitment of managers, who feel disadvantaged by arbitrated solutions. *Substantive Decision Arbitration* means the delegation of the decision making to '*trusted arbitrators*', such as area managers who are empowered to take decisions on behalf of the top management. The disadvantages of arbitration are the same as in the first solution and key decisions will still be escalated to top management. *Temporary Coalition Management* means creating ad-hoc groups or task-forces that are assigned to resolve temporary issues of strategic dimension. Important considerations for the assignment of such groups are the legitimacy of the participating managers, the points of view that need to be represented (or not) in the group, and the empowerment of the group, so that their recommendations will actually be followed by top managers. *Decision Context Management* means creating an environment where managers are motivated by multiple perspectives on a problem and create appropriate groups by themselves that allow balancing and resolution of issues on an intermediate management level. An example given by the authors from one company was that all departments were entitled to object to decisions of other departments that negatively affected them and the parties then had to attempt to negotiate a compromise. Generally speaking this approach requires the promotion of shared cooperative values (Doz et. al, 1986).

Murtha et al. (1998) have developed survey scales for attitudes influencing international strategy processes. Specifically they have also developed scales for the amount of strategy alignment of subsidiaries. They found that managers in MNCs were needing to '*cognitively reconcile conflicts and paradoxes presented by the globalization of his or her job*' and '*faced a need*

to unlearn a logic that evaluated integration and responsiveness as trade-offs before they could replace it with a logic of synthesis.' (Murtha et al., 1998: 112).

2.1.4 Management Control According to Organizational Theory

Ouchi (1979) has identified three fundamental mechanisms for organizational evaluation and control referred to as markets, bureaucracies and clans. When using the *market principle*, organizations rely on the price mechanism for control: 'Given a frictionless price mechanism, the firm can simply reward each employee in direct proportion to his contribution, so that an employee who produces little is paid little, and all payments, being exactly in proportion to contribution, are fair.' (Ouchi, 1979: 835). The only social requirement for this mechanism is that of reciprocity, meaning that not adhering to the agreement will result in '*punishment beyond the severance of the crime*' by the social system. Profit centers are an example of the attempt of organizations to use market mechanisms for internal control.

The *bureaucratic principle* relies on rules, hierarchical supervision, direction, performance observation etc., resulting in administrative overhead cost. Beyond reciprocity, this mechanism thus has the additional social requirement of legitimate authority. It is used when the price mechanism fails, e.g. when task completion can only be determined by observation, tasks are performed by teams with difficulty to determine individual contributions or when it is generally difficult to establish a consistent pricing for tasks to ensure appropriate quantities of supplies.

Clan control can be observed when complex group tasks are to be accomplished and individual contributions are very costly to measure - organizations then try to rely on '*workers who display a high internal commitment to the firm's objectives.*' (Ouchi, 1979: 837). Extended socialization processes for the development of values are then typical in the form of traditions. In addition to reciprocity and legitimate authority, this mechanism thus has the additional social requirement of shared values and

beliefs. Groups that are relying on such socialization mechanisms in a specific professional environment, such as *'healthcare'*, are referred to as *'professions'*, political entities with such common traits are known as *'cultures'*, and Ouchi refers to groups in the case of individual organizations as *'clans'*. Organizations that correspond to pure stereotypes of these three mechanisms are rare, most organizations relying on all three of the mechanisms, each to a different degree. However market and bureaucratic mechanisms both rely on the capacity to measure either the output of a task or the exact behavior involved in the completion of the task, while clan control can function even in situations where both are difficult to establish. Ouchi thus recommends output control in situations with easily measurable outputs, behavioral control in situations with easily measurable transformation processes and clan control in situations where neither are easy to quantify. Ouchi concludes that efficient control ultimately depends on the ability to assess performance and the amount of goal incongruity of the organizational actors: *'In everyday language, people must either be able to trust each other or to closely monitor each other if they are to engage in cooperative enterprises.'* (Ouchi, 1979: 846).

Jaeger (1983) describes a form of corporate control in some American companies that combines aspects of traditional Japanese and American forms. Japanese *'type J'* companies are marked by implicit and informal control, consensual decision making and collective responsibility, life-employment, high level of identification with and loyalty of employees towards the organization. Headquarters–subsidiary relationships are shaped by personal interaction and expatriate managers. The classical bureaucratic *'type A'* organization form pre-dominant in the US is marked by opposite characteristics, such as explicit formalized control, individual decision making and responsibility, and short-term employment. The modified *'type Z'* control form combines implicit, informal control with explicit formalized measures, long-term employment and consensual decision making but with individual responsibility.

2.1.5 Management Control According to Agency Theory

Nohria and Ghoshal hold that headquarters – subsidiary relations have similar attributes as principal – agent relationships (Nohria and Ghoshal, 1994: 492). Eisenhardt found that while organizational theory was primarily focusing on organizational design (matrix, decentralization, divisionalization etc.), control was another important, but neglected aspect (Eisenhardt, 1985: 134). She amended Ouchi's (1979) views with arguments from agency theory to develop and test an integrated model of organizational control: When an agent acts on behalf of a principal, and the agreed behavior is observable, the contract between the two should be behavior based. When the behavior cannot be directly observed, the principal can either try to acquire information about the agent's behavior at a cost, for example by investing in information systems, or reward the agent based on the outcome of his behavior. The latter method however transfers some of the principal's risk to the agent as the outcome usually does not solely depend on the agent's efforts. Two organizational features are explicitly built into agency models: goal incongruence, manifested in '*effort aversion*', and outcome uncertainty, an influence factor in case of '*risk aversion*'.

	outcome-based control	behavior-based control
information systems availability	-	+
outcome uncertainty	-	+
risk aversion of the agent	-	+
risk aversion of the principal	+	-
principal-agent goal conflict	+	-
task programmability	-	+
outcome measurability	+	-
longterm relationship	-	+

Figure 3: Situational Arguments for Outcome Based versus Behavior Based Control

(Eisenhardt, 1989)

Thus, organizations in agency theory '*... are seen as risk sharing as well as work sharing collectives.*' (Eisenhardt, 1985: 137), amending Ouchi's

arguments by the possibility of purchasing information, the cost comparison of outcome control versus behavior control, control as a basis for rewarding agents and risk bearing issues. Eisenhardt then formulated the hypothesis that behavioral control is more likely as task programmability, the cost of outcome measurement and outcome uncertainty, increases and she supported these hypotheses in a survey of 95 specialty stores (Eisenhardt, 1985: 139-148). On the basis of a review of principal-agent studies she later postulated a number of factors favoring outcome control over behavioral control and vice-versa.

According to her analysis, behavioral control should be favored when good information systems are available, outcome uncertainty is high, agents are risk-averse, tasks are programmable, and there is a long-term relationship between principal and agent. Outcome control on the other hand should be favored when the outcome is easy to measure, the principal is risk-averse and when there are potential conflicts of interest between principal and agent (Figure 3).

2.1.6 Management Control in the Marketing and Sales Function

Anderson and Oliver (1987) look at control systems in the specific case of sales forces. From a theoretical viewpoint, they add the perspectives of transaction cost theory (Williamson, 1985) and cognitive evaluation theory to the general discussion on control systems discussed above. They interpret transaction cost theory as being generally skeptical of the capabilities of firms to establish more effective controls than markets, suspecting that managers often rule in their own personal interest rather than in pursuit of company results. They however see one exception, as transaction theory acknowledges the need for behavioral control when firm-specific knowledge acquired by the employee over time is particularly important for success. According to transaction cost theory, loyalty of such employees should be sought by a behavior-based reward system. These views are consistent with the theory of internalization described earlier.

Anderson and Oliver find with cognitive evaluation theory that people strive for self-determination and that they therefore prefer intrinsic over extrinsic motivation. Feed-back is found to be only intrinsically motivating if it allows the correction of behavior for self-improvement in an informal and non-controlling way. Since this is problematic in outcome control, Anderson and Oliver predict a tendency for salespeople to prefer behavioral control. Generally they conclude that the different theories are complementary and each add different perspectives to the discussion about behavioral versus outcome control.

They further find that with outcome-based control systems, sales people receive clearly quantifiable objectives but little managerial direction and supervision. *'Outcome-based control, then, is laissez faire management whereby the salesperson is made an entrepreneur, responsible for his or her performance but free to select the methods of achievement.'* (Anderson and Oliver, 1987: 77). The major advantage seen in outcome-based control is the motivational aspect, as salespeople are only rewarded if they produce, and motivation being of central importance due to *'the often discouraging nature of selling'* (Anderson and Oliver, 1987: 77). Disadvantages of such systems are identified in a potential tendency of sales people to prioritize short-term sales results over long-term strategic objectives, e.g. by neglecting services or the sales of new or particularly profitable products. This can be countered by using multiple outcome-criteria for evaluation, such as sales with new products, profit margins etc., however this makes the control system more complicated and also represents a first step towards behavioral control.

Anderson and Oliver further argue that in behavior-based systems, sales people on the other hand are evaluated according to their skills, efforts and strategies, with criteria such as their number of sales calls made, their presentation skills, their product knowledge etc., and they receive substantial monitoring and guidance from their sales managers. The advantage of behavior-based systems is seen in the possibility for sales managers to guide their salespeople towards long-term strategic objectives. Another advantage occurs when the sales persons have little individual control over the sale, as

behavior control can avoid unjustified monetary under- or overcompensation.

Anderson and Onyemah (2007) suggest that output-control systems make the sales force primarily focus on their customers while behavior-control systems focus the salespeople more on their sales managers. The output-control culture is marked by considerable autonomy of the salespeople in how they service their customers. Behavioral-control oriented companies on the other hand establish multiple criteria for the evaluation of their sales people that relate to their activities, efforts and skills. While these two different systems represent different sales force cultures, Anderson and Onyemah suggest that *'In the most cases, the right choice will be a consistent system somewhere in the middle of the OC-BC (output control – behavioral control) continuum.'* (Anderson and Onyemah, 2007: 2). They identify three typical patterns of inconsistencies that lead to problems in sales management. *'The ever-present manager'* describes a conflict situation where sales people are evaluated and compensated by an output control system that leads them to focus on bottom-line sales figures, but the manager tries to closely monitor and guide the sales people towards other qualitative objectives. *'Sublime neglect'* is a phenomenon that occurs when a behavioral control system is not fully understood by the sales people and not backed by the sales managers, e.g. because they have selling objectives themselves. *'The black hole'* characterizes an output control system that is lacking transparency in its evaluation parameters leaving sales-people frustrated, believing to be evaluated and rewarded in an arbitrary manner.

Generally speaking the authors find that output control is advisable when sales peoples skills and efforts are the primary source of success of the sale, e.g. when there is no clear competitive advantage in the offering, when the customer trusts in the sales person as an advisor in long-term relationships, when the customer is unclear about their needs and the sales person can shape them and when multiple different successful sales approaches are possible. Also output control requires an efficient and reliable accounting system for measurement of the individual performances. Behavioral control on the other hand should be favored when the salespeople lack experience,

particularly in an environment with strict governmental compliance rules, when there is a strong need to build and maintain brand equity, when there are other priorities than sales allocated to sales people (e.g. assisting in product development) or when it is difficult to measure a salesperson's individual contribution to sales.

Importantly, according to these authors, the decision on management control is also largely influenced by the culture and legal system of individual countries. They name the US, Canada, Argentina, Italy, and parts of India as examples for output control prone countries and Sweden, Japan and Korea as countries oriented towards behavioral control. Specifically, countries that are particularly driven by hierarchy, such as France and Germany, are said to disfavor output control.

	outcome-based control	behavior-based control
environmental uncertainty	-	+
customers per salesperson	-	+
sales force size	+	-
managements' risk aversion	not supported	
output measurability	+	-
cost of output measurement	-	+
behavior measurability	-	+
transformation process knowledge	-	+
transaction specificity	not supported	
sales persons' risk aversion	not supported	
sales persons' effectiveness	not supported	
salespersons' utility requirement	-	+

Figure 4: Antecedents of Management Control Systems

(Krafft, 1999)

Krafft (1999) has identified antecedents of sales force control in a study of 270 German sales organizations. He finds support that the variables '*environmental uncertainty*', '*number of customers per salesperson*', '*cost of output measurement*', '*measurability of behavior*', '*knowledge level concerning the transformation process*' and '*salespersons' minimum utility requirement* (meaning formal education)' positively correlate with behavioral

control, while *'sales force size'* and *'output measurability'* correlate negatively. Managements' and sales persons' risk attitude, transaction specificity and sales persons' effectiveness (age and experience) did not show any significant relation to control system design (Figure 4). He concludes that environmental influences have a higher impact on control systems than sales persons' characteristics. Also he finds that while Ouchi's (1979) and agency theory's propositions are well supported (with the exception of risk attitudes), transaction cost theory has limited predictive power in this context.

2.2 Management Control in International Marketing and Sales Organizations

2.2.1 Headquarters – Subsidiary Relations

Birkinshaw and Hood (1998) define the subsidiary as *'a value adding entity in a host country'* (Birkinshaw and Hood, 1998: 774). They find that subsidiaries are typically established for seeking of resources, markets or efficiency. They then evolve according to the assignments of the head-office, the decisions of the subsidiary managers and the local market opportunities and restrictions. The authors identify two theories for the development of subsidiaries. The product life cycle model explains how MNCs will establish foreign subsidiaries in the search for low-cost manufacturing opportunities for maturing products. This theory does not apply well to this research context, as we are dealing primarily with sales rather than manufacturing organizations. The second theory is that of internationalization whereby MNCs are in a constant cycle of learning about foreign markets and adjusting their commitment accordingly in the form of additional investments. The authors identify 5 typical development paths for subsidiaries: parent driven investment or divestment, subsidiary driven charter reinforcement or extension and atrophy through subsidiary neglect. The authors propose that influence factors favoring further expansion of the subsidiaries activities can be found in a strong subsidiary track-record, a favorable parent-subsidiary

relationship, a dynamic local business environment, a good support level from the host countries government, the strategic importance and the factor input cost of the host country. They further propose that a strong internal resource allocation mechanism and decentralization will favor subsidiary driven decisions and disfavor parent-driven decisions.

Gestetner (1974) reported on his experience in managing 1300 sales and services offices in 130 countries in his family owned office equipment company. He has identified two fundamental strategies of managing international branch offices of multinational companies. The centrist approach allows little decision-making authority on the part of the international branch offices, who typically are stereotypes of the domestic branch offices. The objectives of the home company are prioritized over the needs of the international subsidiaries. In a non-centrist approach the country subsidiaries have the same hierarchical and decision making status as the domestic sales force and are only *'subject, ..., to minimal central control. ... , and, provided a satisfactory, continuous growth in profit and return on investment, the head office maintains a policy of non-interference.'* (Gestetner, 1974: 103). This corresponds to what has been said earlier about *'laissez faire management'* and outcome control. In parallel, centralized strategies correspond to behavioral control. Strong central control is believed to be leading to *'greater efficiency in operation and to the avoidance of unnecessary and wasteful duplication in such areas as market research, product development, and sales techniques.'*

Other advantages are seen in the development of a standard global image towards the customers, in optimizing financial returns and in the capability of manipulating world trends to the advantage of the company. Disadvantages are seen in inflexibility in coping with international cultural, political and regulatory differences concerning for example salary and variable income structures, pricing and discounting, hierarchies, labor laws, taxes etc. Also, the lack of empowerment can lead to a lack of self-confidence of the local management, lengthy decision making, difficult communication and misunderstandings, negative feelings towards the head office and little

reactivity to local trends. Decentralized strategies largely avoid such shortcomings and in addition cater to the nationalist pride in various countries. On the other hand the lack of central control leads to *'needles repetition of learning cycles in sales, finance, or technology ...'* and *'often makes the local executives act like prima donnas.'* (Gestetner, 1974: 105). The local management might develop a tendency to search for specific local solutions, e.g. in materials sourcing, only to demonstrate local independence and to 'hamster' funds that might be better invested in other subsidiaries.

Nohria and Ghoshal (1994) found that structural headquarters-subsidary relations that were fit to the individual subsidiaries' environmental and resource context through varying combinations of centralization and formalization, could improve the overall performance of MNCs. They propose that in situations with high environmental complexity, subsidiaries need to benefit from their superior local knowledge and need autonomy to do so. Consequently, both centralization and formalization become less efficient. While a higher amount of resources of a subsidiary also decreases the efficiency of centralization, it increases the headquarters' need for formalization, as they may wish to install procedures *'to keep in check potential agency problems.'* (Nohria and Ghoshal, 1994: 493). Nohria and Ghoshal also identify shared values between headquarters and subsidiaries, by establishing *'equifinality'*, aligning the mutual goals and interests, as an alternative control mechanism that has a positive impact on MNC performance.

Hewett and Bearden (2001) found that establishing successful relationships between headquarters' and subsidiaries' marketing operations had a positive impact on the local sales performance of products. This effect became more important as headquarters' were trying to standardize marketing processes internationally. Differences in national culture moderated the importance of trust in the relationship. In their model, dependence and trust are antecedents of acquiescence (*'...the extent to which one party in an exchange situation accepts or adheres to another's specific request.'* (Hewett and Bearden, 2001: 53)) of the subsidiary, meaning that the lesser a

subsidiary depends on central marketing activities and the lesser trust they have in the central marketing team, the more unlikely they will be to accept their requests. Trust, in addition, is an antecedent of cooperation of the subsidiary that is moderated by the level of individualism or collectivism in its country culture. Acquiescence, and cooperation of the subsidiary have a positive influence on subsidiary product performance. While the authors generally found support for their model in empirical testing, they could not prove the predicted influence of dependence on acquiescence.

Podnar et al. (2010) have established identification with an organization as dual construct. Individuals identify distinctly with the organization as a group of people, in the sense of corporate culture and the organization as a whole in the sense of corporate identity.

Baliga and Jaeger (1984) have presented a decision model for the choice of control system and appropriate level of delegation of subsidiaries in MNCs. Based on the variables '*type of interdependence*' (pooled, sequential, reciprocal), '*environmental uncertainty*' (high / low) and '*cultural proximity*' (high / low) they define the type of control system (cultural / bureaucratic) and the extent of delegation (centralized / moderately decentralized / highly decentralized). Bureaucratic control is only recommended in the absence of reciprocal interdependence and when cultural proximity is low, in all other situations cultural control is advised. Centralized control (low level of delegation) is recommended when some sort of interdependence exists and environmental uncertainty is low. In all other situations moderate or high decentralization is recommended.

In an analysis of 70 interviews, mostly with subsidiary managers of 10 MNCs included in the French CAC 40 stock market index, Beddi (2011) was able to associate 3 typical corresponding role types of headquarters that they named '*interventionist*', '*mediating*' and '*moderating*'. '*Interventionist*' headquarters are observed when the subsidiaries all have the same range of activities and carry the same brands. The cooperation is marked by a strong centralist presence at the subsidiaries, which are all managed in a uniform way. Know-

how is transferred in a unilateral way from the headquarters to the subsidiaries. *'In the end, the relationship circles around the headquarters' wish to control and the subsidiaries' search for knowledge*ⁱ (Beddi, 2011: 84). France Telecom is given as a well known example. The *'mediating'* headquarters is marked by numerous reciprocal activities with the subsidiaries and a mediating role of the headquarters in connecting the subsidiaries that are managed in a uniform way. The headquarters has a large staff of functional and regional responsible international managers. An example is given from the company Air Liquide, where functional managers are running transversal programs for establishing best practices and benchmarking concepts.

A subsidiary manager states:

*'We are solicited by people with whom we have strictly no connection. We are asked to participate in projects that have no immediate influence on our everyday activities. (...) Your team can sometimes report functionally to people who do not report to you, sometimes you are informed, sometimes you are not informed, sometimes you know the results, sometimes you do not.'*ⁱⁱ (Beddi, 2011: 85)

The *'moderating'* headquarters is marked by direct relationships between the subsidiaries and very limited contact with the headquarters, whose role is essentially in establishing the organizational design and the rules of interaction. The subsidiaries are highly differentiated, leading to interdependence between each other. As one of the study participants, a subsidiary manager put it: *'And the only role of the central board is to make the matrix work'*ⁱⁱⁱ (Beddi, 2011: 84). Vinci Energies for example has adopted such a mediating model.

Malnight (1996) have described 3 models of headquarters – subsidiary relationships, *'centralized'*, *'decentralized'* and *'network'*. While an *'interventionist'* role of the headquarters seem to be associated with centralized organizations and a moderating role with network organizations, Beddi does not find the mediating role to be particularly related to decentralized organizations. Also, they attribute the fact that only 2 out of 10 companies in their study had adopted a network approach with a moderating

head-quarters function to the fact that the companies were still very much marked by the French home market.

Doz (1981) finds that headquarters' influence on subsidiary strategy remains considerable as long as subsidiaries depend on key resources of the headquarters. In situations where MNCs become fragmented into autonomous, self-sufficient subsidiaries, *'rebuilding headquarters influence becomes much more difficult.'* (Doz, 1981: 15). They identify 3 management mechanisms to achieve strategic change: *'data management'* in the form of information and measurement systems, resource allocation procedures, strategic planning and budgeting, *'managers' management'* in the form of choosing key managers, career paths, reward and punishment systems, management development and socialization patterns, and *'conflict resolution'* in the form of decision responsibility assignments, integrators, business teams, coordination committees, task forces and issue resolution processes. They find that power shifts from subsidiaries to headquarters can only be achieved in a purposeful and controlled way when they *'appear legitimate to a great majority of managers involved'* (Doz, 1981: 27). Care must therefore be taken by top management to establish such legitimacy.

Egelhoff (1984) has studied differences between 24 US and 26 European MNCs with respect to the control mechanisms of their subsidiaries. The author has operationalized output control in the marketing function by the frequency with which sales and expense reports are provided by the subsidiary. The reasoning behind this measurement is the assumption that substantial deviations to the selling and expense plans would necessarily result in an immediate response of the parent company in the form of the request for a meeting or further information, an assumption that was confirmed by the majority of the participants. Behavioral control, was measured by the number of expatriate managers being sent to subsidiaries using the following argumentation:

'This is consistent with the concept of behavior control, because parent company managers within a foreign subsidiary are likely to be monitoring and evaluating the activities and behaviors within the subsidiary (for example, how salesmen are trained and briefed prior to the launch of a new product) ... As these managers monitor and evaluate behavior within the subsidiary organization, they tend to use standards of comparison derived from the parent.'
(Egelhoff, 1984: 74).

Edström and Galbraith (1977) have hypothesized that multinational corporations use expatriate managers as a means of socialization for local managers and for creating verbal information networks, allowing for increased decentralization.

Egelhoff found that, at the time, US companies were relying more on output control, requiring precise planning and budgeting, whereas European companies were favoring behavior control, with a necessity for a *'company-wide understanding and agreement about what constitutes appropriate behavior ... probably best conveyed in a strong company culture and long careers in the same company'* (Egelhoff, 1984: 81). European companies also showed shorter reporting spans between parent and subsidiary organization than US companies. They further argue that behavioral control is decentralist, as measuring, comparing and feed-back all occur at the subsidiary level. We challenge this point of view, as behavioral control might also occur between the headquarters' managers and subordinate subsidiary managers.

Tran et al. (2010) have analyzed the effectiveness of headquarters knowledge sharing with subsidiaries. Prior literature suggests that effective knowledge sharing depends on the capacities, the motivation and the capabilities of subsidiaries to receive it, the ability and motivation of headquarters managers to share it, the type of knowledge to be shared, the communication channels and the relationship between the communication partners (Tran et al., 2010: 295). In their study of 132 European sales subsidiaries of a Danish fashion retail corporation they could empirically support the above assumptions.

Concerning subsidiaries, Jaeger (1983) finds empirical support that type Z subsidiaries are more likely to share the values of the headquarters, use more expatriate managers, and use more informal, personal communication with the headquarters.

Kostova and Roth (2002) studied the adoption of organizational practices by subsidiaries, that were imposed by their headquarters. They used institutional theory and specifically the concept of institutional duality that states that a subsidiary is at the same time subject to pressures from the headquarters and potentially conflicting institutional patterns specific to their host country (Kostova and Roth, 2002: 216).

Kim and Mauborgne (1993) analyzed the impact of procedural justice, which they define as *'the extent to which the dynamics of a multinational corporation's strategy-making process are judged to be fair by the top managers of its subsidiaries.'* (Kim and Mauborgne, 1993: 503) on compliance of subsidiary top managers with strategic decisions of MNCs. Procedural justice includes headquarters knowledge about the local situation, two-way communication on strategy, consistent decision making across subsidiaries, the possibility to challenge headquarters' views and information about strategic decisions. Their model holds that procedural justice has a direct impact on subsidiary managers' compliance, but also a mediated effect via organizational commitment, trust and outcome satisfaction. Subsidiary industry type is a moderating factor for both effects, suggesting that these effects are believed to be stronger in global industries than in multinational industries. In their study of 119 subsidiary executives from different companies in different industries, they found empirical support for their model.

Birkinshaw (1997) have identified initiative, *'a discrete, proactive undertaking that advances a new way for the corporation to use or expand its resources'* as a key element of corporate entrepreneurship. They found that MNCs were neglecting the creative potential of their subsidiaries, while subsidiary

initiatives have *'the potential to enhance local responsiveness, worldwide learning and global integration...'* (Birkinshaw, 1997: 208).

Jarillo and Martinez (1990) have presented a framework to describe the strategic role of subsidiaries of MNCs. According to the dimensions *'degree of integration'* (high – low) and *'degree of localization'* they have distinguished three principle subsidiary strategies. In this framework *'autonomous subsidiaries'* are performing most activities of the value chain, such as R&D, marketing and manufacturing, by themselves, with a low level of integration and a high level of localization. *'Active subsidiaries'* also perform many value chain activities locally but are highly integrated in the global corporate network. *'Receptive subsidiaries'* are highly integrated in the corporation but show a low level of localization, as they only perform few value chain activities, typically only marketing and sales.

Ambos et al. (2010) have studied the influence of initiative-taking by subsidiaries on relationships in MNCs. They believe that subsidiary managers are trying to increase their autonomy concerning the headquarters and to increase their influence over other subsidiaries. When subsidiaries create value-adding resources for the MNC, a mutual dependence comes about, that central managers view with ambiguity: while they must appreciate the exploitation of opportunities, they want to maintain their own level of central control. This is why they will increase close monitoring of such subsidiaries that show a high level of initiative. Ambos found empirical support for these assumptions.

Luo (2003) has studied the impact of headquarters-subsidiary links in emerging economies. They point out and show empirical evidence for the particular importance of headquarters' resource allocation and information-sharing, local responsiveness and control-flexibility (*'less rigid control'*; Luo , 2003: 303) in their study of 196 subsidiaries of MNCs in China.

2.2.2 Cultural Aspects

In his survey of 116,000 industrial employees in 50 countries, Hofstede (1983) has identified the 4 dimensions power distance, uncertainty avoidance, individualism versus collectivism, and masculinity versus femininity as the main explanation of the variance in the participants' work-related values. These dimensions are used to account for different approaches to structure, motivation and societal interaction. The author defines power distance by the participants' observations and preferences concerning their superiors autocratic or paternalistic as opposed to democratic decision making style, and by the general perception of fear of disagreeing with superiors. Hofstede's dimensions, although they have been often criticized and misunderstood, have proven to be stable over the years and they have later been amended by a fifth dimension specific to East Asian nations, labeled '*long-term versus short-term*' orientation (Minkov and Hofstede, 2011).

Chapman et al. (2008) find that cultural distance is not an absolute measure, but that personal interpretation of intercultural interaction is strongly related to the common historic background of nations. In their qualitative study they found that while Britain and Germany have similar profiles according to Hofstede's dimensions, cultural distance between Poland and Britain as opposed to Poland and Germany was perceived very differently by 66 senior managers involved in respective bilateral business relationships.

Steenkamp and Geyskens (2012) have tested the impact of Hofstede's cultural dimensions on the predictive power of transaction cost economics (TCE) theory concerning governance decisions of companies.

They summarize Williamson's (1975) theory:

'...when the dimensions of transactions raise transaction costs and combined create market failure, TCE postulates that firms gain competitive advantage by opting for non-market governance, for which two broad options are available – hierarchical governance and relational governance.' (Steenkamp and Geyskens, 2012: 255),

these dimensions being uncertainty related to transaction volume, technology involved and behavior of the transaction partners. They hypothesize, and present empirical evidence in a Meta-Study of more than 60 000 companies, that transaction cost logic is less important for governance decisions in countries with high power distance and short term orientation. They also find that TCE has a higher power to predict hierarchical governance and a lower power in predicting relational governance in countries with higher power distance, higher uncertainty avoidance and higher masculinity.

Nakata and Sivakumar (2001) have used Hofstede's dimensions to formulate a large number of propositions in order to describe the influence of national culture on the interpretation, adoption and implementation of the marketing concept. They proposed that while strong individualism leads to a Marketing view associated with satisfying transactional customer needs, low individualism leads to a focus on relational customer needs. A high cultural predisposition for uncertainty avoidance will result in offering incremental innovations, a low predisposition in offering radical innovations and a higher likelihood of general adoption of the marketing concept. While higher uncertainty avoidance will positively impact on the generation of market intelligence, lower uncertainty avoidance will positively impact dissemination and utilization of market intelligence. High power distance will lead to segmented and differentiated treatment of customers, low power distance to equal treatment of customers and a higher likelihood of general adoption of the marketing concept. While high power distance will positively impact on the generation of market intelligence, lower power distance will positively impact dissemination and utilization of market intelligence. Countries following a Confucian dynamic will see a more long-term focus of customer activities, a high acceptance of the Marketing concept, and a predisposition to collect, disseminate and utilize market intelligence.

Uncertainty avoidance was defined by the items tension at work, tolerance of breaking company rules and employees' intention to remain with the same employer. Individualism was defined by the goals employees had concerning their dependence on the organization. Masculinity was defined by high

scores with items concerning career and job challenge while femininity was defined by high scores for work relationship, quality of life and employment security items. Countries with a large gender gap are considered masculine and countries with low or zero gender gap as feminine.

2.2.3 Global versus Local Marketing Strategy

Birkinshaw et al. (1995) have identified the determinants of global integration strategies. They found that the degree to which an industry should be globalized depended on the degree an industry structure favored globalization and on the level of global competition. In their analysis of 7 industries they found that only 3 of them were appropriately globalized while the remaining 4 industries were under-globalized.

Buckley and Casson (2011) have extended their internalization theory to the marketing function. They found that while the academic disciplines of management strategy and multi-national enterprise had some overlap, the Marketing paradigm, with its focus on practitioners' issues, was almost entirely separated in its research (Buckley and Casson, 2011: 493). According to Buckley and Casson, economic theory has therefore continued to reduce marketing to the advertising function. Specialized knowledge about customer needs and suppliers offerings however allows marketers on the one hand to act as a broker for the two parties and, more importantly, on the other hand to evaluate the market acceptance of new technologies according to their perceived cost-benefit ratio. Marketing thus assumes an important role in the R&D process, depending on the industry potentially a critical role. The authors conclude that there are industries that are driven by technology where the classical R&D function has the most important role in product development and that there are more market driven industries, where product development depends essentially on the marketing function. In either of these situations, the less important function might be respectively subject to outsourcing as it does not represent the company's core competency.

As the term '*Global Marketing Strategy*' has been used with different meaning in literature, Zou and Cavusgil (2002) have conceptualized it and also studied its effect on firm performance. They found that prior literature had taken three different perspectives all of which Zou and Cavusgil integrate in their model. One part of the literature focused on standardization of products, promotion, distribution and pricing, another one on sustaining competitive advantage by managing the value chain and yet another one on global competitive leverage effects such as cross-subsidizing of different countries, competitive dislocation and rationalization. The global marketing strategy thus comprises decisions concerning the parameters of these three perspectives. International experience, global orientation and external globalizing conditions influence the global marketing strategy, that has both a direct effect on financial performance, as well as a mediating effect via the global strategic performance of the company. Global strategic performance is also directly impacted by the international experience of the company (Zou and Cavusgil, 2002: 44-46).

Kirka et al. (2011) have used institutional theory to analyze how subsidiaries implement market orientation of MNCs. They formulate a theoretical framework that states that the implementation of market orientation is positively influenced by the strength of local legal institutions, the local competitive intensity and the local country managers' perception of the marketing orientation of their headquarters. The effect of perceived headquarters' market orientation is positively moderated by a higher identification of subsidiary managers with the headquarters and the effect of local competitive intensity is positively moderated by a higher cultural distance between headquarters and subsidiaries. In their study of 78 subsidiaries in 45 countries they could support this framework with the exception of some of the moderating effects of cultural distance.

Homburg et al. (2012) have developed a marketing classification of foreign subsidiaries. They have surveyed 133 subsidiaries and their respective headquarters in 29 countries according to their structure, subsidiary age, subsidiary size, value-added scope, strategy, strategic influence, strategic

importance and strategic competence, market characteristics, efficiency and performance. They could identify 5 clusters: '*saturated administrators*' are very old subsidiaries, mostly in consumer packaged goods industries, that have very stable market situations. '*Universal Champs*' are successful large subsidiaries with a large number of value-creating activities. '*Important Dependents*' are subsidiaries with a very high strategic importance but a relatively low strategic competence often located in East Asia in the automotive or chemical/pharmaceutical industries. '*Promising Aspirants*' are smaller subsidiaries in dynamic, ethnocentric markets that have a lot of strategic freedom. '*Flexible Implementers*' are young, small subsidiaries that have little additional value-adding functions except marketing and a medium strategic importance.

On the basis of the social attraction paradigm and social identity theory, Homburg et al. (2002) have developed 6 hypotheses concerning the cooperation between manufacturers and distributors. In their survey of 212 German manufacturing systems engineering companies they could confirm that inter-organizational similarity had a positive effect on the cooperation of manufacturers and distributors that then led to a greater relationship effectiveness for the manufacturer. They also found that distributor power had a negative impact on relationship effectiveness. Participation of distributors in the manufacturers decision making process had a positive impact on cooperation, but at the same time increased distributor power.

Frazier (1983) has developed a model of inter-organizational exchange behavior in marketing channels. His model describes a repetitive circular pattern of 3 processes. The initiation process is a negotiation that leads to an exchange agreement. This process is influenced by the macro environment, the organizational and personal characteristics of both channel partners, the required investment and the expected rewards. The exchange agreement regulates role responsibilities, authority and dependence as well as goals and motivation of the partners. The implementation process is marked by product and service information flows, role performance and reciprocal influence strategies. Goal compatibility and role satisfaction influence the

level of conflict and conflict resolution. The implementation process leads to rewards of the partnership that are subject to the review process, where responsibilities are attributed in the form of credit or blame, firm and personal performance are evaluated and the level of equity is determined. The outcome of the review process is either satisfaction or dissatisfaction with the partnership that will influence the initiation process of the continued cooperation in the sense of the renegotiation of the exchange agreement.

Hewett et al. (2003) have studied the conditions under which locally customized as opposed to centralized processes are preferable in Marketing activities. Generally speaking they have studied the influence factors internal relations, specific industry and market conditions on the roles that headquarters and subsidiaries take in brand development, pricing, promotion and advertising, distribution channel and customer service management. The identified influence factors for internal relationships are *'(1) the level of cooperation between subsidiary marketing managers and the marketing operation at headquarters, (2) the extent to which the subsidiary perceives itself as being dependent on the headquarters, and (3) the degree to which the subsidiary is involved in setting the product-level marketing objectives for its market.'* (Hewett et al., 2003: 569). In their survey of 128 Managers from 35 different country markets and 30 industry they could support their hypotheses that in companies with high vertical dependence, more standardized processes were likely, while companies who had a high degree of subsidiaries' participation in goal setting, also had more locally customized processes.

'Our results imply, then, that global marketing managers taking on greater roles in attempting to hand down marketing activities to foreign subsidiaries may be more successful the greater the degree of perceived vertical dependence among foreign subsidiaries.' (Hewett et al., 2003: 578).

The hypothesis, that a high level of cooperation between headquarters and subsidiaries would lead to more customized procedures, had to be rejected. The authors conclude that managers in subsidiaries do not necessarily see the need for coordination as a restriction to their autonomy. Specific industry

influences such as technological turbulence and high product market concentration had the tendency to favor standardized processes while local market turbulence rather lead to customized processes. The authors' expectations that strong cultural and economic differences between the home market and the subsidiaries' markets would lead to more customized processes could not be supported.

Cayla and Penaloza (2012) have used ethnographic studies of subsidiaries of MNCs in India to research the effect of organizational identity on foreign market adaptation. They found that when companies enter new foreign markets, customer perceptions can be so different to their traditional markets, that fundamental company principles are not successfully applicable. Local managers thus might recommend strategies that are incompatible with these principles. The authors then observed that a strong shared organizational identity

'made it more difficult for (central) managers to integrate and act on feed-back inconsistent with that identity ... Members appeared especially prone to counter-argue, discredit, ignore, and outright reject information inconsistent with elements contributing to their understanding of their firm.' (Cayla and Penaloza, 2012: 51).

They advocate organizational non-members, in their examples external ad agencies, as teachers and arbitrators that can educate the central managers so that the necessary organizational learning can take place. The authors recommend that MNCs should make their organizational identity explicit, proactively identify incompatibilities with local market adaptation strategies and should then *'seek to reestablish the coherence of their identity with their activities in the market.'* (Cayla and Penaloza, 2012: 52).

2.2.4 International Sales Management Control

International aspects of sales management have been largely neglected in management literature (Piercy et al., 2011; Hill and Still, 1990). Piercy et al. (2011: 104), apart from their own, only identify two other studies dealing with

international sales management control (Baldauf et. al 2001; Grant and Cravens, 1999).

Cravens et al. state that *'...firms are learning that similarities across countries are making the old way of regional or local management control less effective in today's global business environment'* (Cravens et al., 2006: 291). In their study of several different countries, including developed, emerging and developing countries, the authors find *'substantial, but not complete, convergence in sales management practices and outcomes'* (Cravens et al. , 2006: 302). In their opinion, multi-national firms are thus successfully moving from local to global sales management systems. Johnston and Marshall (2011) define sales management as *'... all activities, processes, and decisions involved in managing the sales function in an organization'* with the sales function being seen as an *'indispensable part of marketing strategy'* and the sales management process being described as the formulation, implementation, evaluation and control of sales programs (Johnston and Marshall, 2011: 9-11). The formulation of a sales program involves the adaption of the personal selling process to the company's environment and it's marketing strategy, the definition of selling teams and territories and the way that accounts are managed, as well as forecasting and budgeting (Johnston and Marshall, 2011: 29). The implementation includes the selection, supervision, training, motivation and compensation of sales personnel (Johnston and Marshall, 2011: 182). The evaluation and control function on the one hand consists of cost and sales analyses per territory, per product and per customer and of personal evaluations of the sales people (Johnston and Marshall, 2011: 371).

Sales performance research in the past has overwhelmingly focused on individual sales persons as unit of observation. Churchill et al. (1985) e.g. have identified more than 400 studies concerning sales person performance since 1918. Accordingly, they define three related concepts for measuring sales success on the basis of individuals, rather than organizations:

'Behavior refers to what the job occupant does – that is, the tasks on which the individual expends effort while working. Performance is behavior evaluated in terms of its contributions

to the goals of the organization. Effectiveness refers to some summary index of organizational outcomes for which an individual is at least partly responsible, such as sales volume or market share.’ (Churchill et al., 1985: 116)

There has been very limited research about (other) antecedents of sales unit effectiveness, such as sales managers and sales management control (Grant and Cravens, 1999: 945). While ‘*effectiveness*’ and ‘*performance*’ are used with varying meanings and sometimes synonymously, leading to an academic controversy discussed in literature (Küster and Canales, 2008: 297), we like to stick to the above simple and straight-forward definitions from Churchill et al.

2.2.5 Performance Evaluation

Sales Force Effectiveness

Much like the term ‘*effectiveness*’ in general, the term ‘*sales force effectiveness*’ has taken different meanings in literature (Zoltners et al, 2008: 115) and management literature reveals a large number of heterogeneous influence factors on sales force effectiveness. Questioning 360 US CEOs about how to achieve revenue growth, Comeau-Kirschner (1999) found that 43 percent of respondents judged their sales forces to be only ‘*somewhat effective*’ or ‘*not very effective*’. They have identified numerous areas of improvement e.g. in motivation, customer-knowledge, post-merger morale and optimization of sales executive freedom. Hunter and Perreault (2007) find a positive effect of sales technologies, such as customer relationship management and sales automation tools, on relationship building activities of sales people, enhancing sales force effectiveness. Dubinsky (1998) states that leadership to enhance sales force effectiveness is ‘*a major puzzle*’ for sales managers. Interestingly he finds that while transformational leadership can positively influence sales persons’ attitudes and behaviors, it does not have a greater impact than transactional leadership. Dubinsky (2003) finds that while branding in itself does not improve the bottom line of companies, one way of transforming brand recognition into business results is improving

sales force effectiveness by translating the brand into sales force training and communication materials. Lee et al. (2007) have studied the effect of negative sales person stereotype perceptions of UK students and their negative impact on recruitment of sales people and hence on sales force effectiveness. El-Ansary (1993) finds that companies in their training programs neglect experienced sales people, knowledge and interpersonal skills, diversified training sources and the involvement of customers and merchants.

Rather than defining the term, Zoltners et al. present a framework of the different variables and organizational elements that are impacting on sales force effectiveness (Figure 5). The sales system, consisting of the sales force structure and the sales people, including their roles and activities is influenced by the '*effectiveness hunt*' of the marketing and sales strategy. This signifies the constant strive for performance improvement in indicators concerning sales volume, sales people, account development etc. Specifically, Zoltners et al. identify a number of '*effectiveness drivers*' that are influencing the sales system. '*Definers*' explain the roles of the sales people and identify territories, influencing the Sales Force Structure (sales force design, size, territory alignment). '*Shapers*' are the processes responsible for skills, capabilities and values of the sales people (recruiting, training, coaching, culture, leadership, compensation and incentives). '*Enlighteners*' represent processes providing knowledge about customers and markets, opportunities, problem solving and time management (customer research, targeting, customer relationship management). Exciters are influencing the individual's and the team's motivation (culture, leadership, compensation and incentives, motivation programs, meaningful work) and '*controllers*' are responsible for their activities and performance (compensation and incentives, sales managers, performance management and measurement, goal setting and forecasting, coordination and communication). Exciters, Enlighteners and Controllers all impact on the sales activities.

The external environment including the competition, as well as other company factors are influencing the performance outcome of the sales

system for the final company results. On the other hand these factors outside the sales system are the basis for the company strategy from which the Sales and Marketing Strategy is derived and so on. Zoltners et al. (2008: 128-129) conclude with presenting the example of the highly successful approach of the company Novartis to constant improvement of their world-wide sales force effectiveness. In an annual sales force effectiveness review based on performance surveys, high-priority sales force effectiveness drivers are identified and an annual improvement plan is created accordingly.

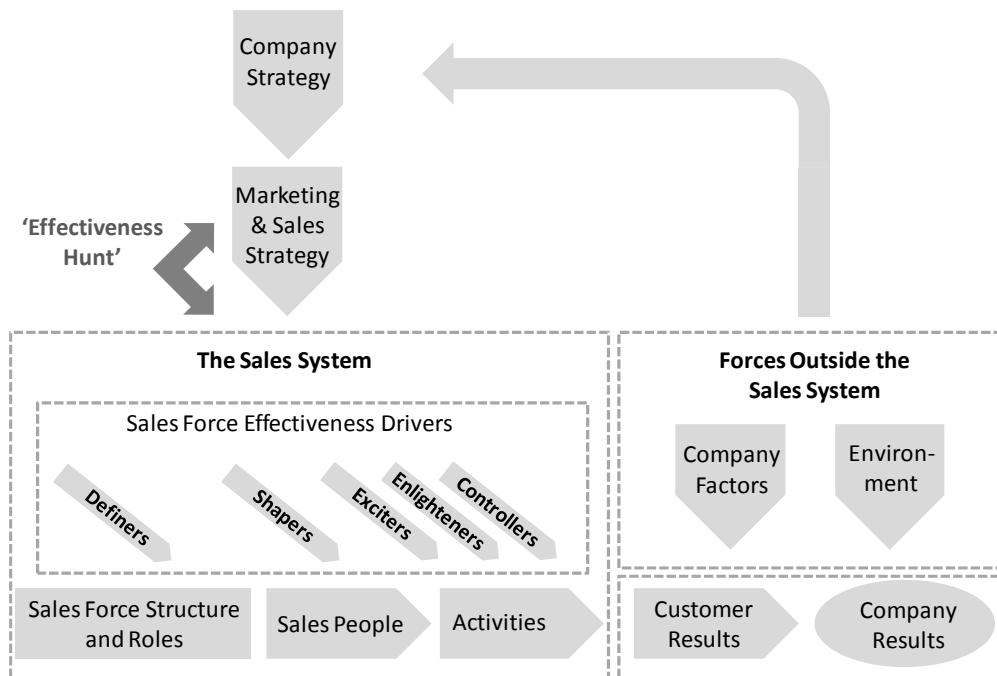


Figure 5: The Sales System

(Zoltners et al., 2008: 117, 120)

Hill and Still (1990) have surveyed 14 multi-national companies with a total of 135 subsidiaries to examine the relative influence of environmental differences in different countries, factors related to organizational structure and industry type. Individual influence factors on international sales force design are identified in market maturity, company size, sales volumes, manufacturing cost levels, technology and portfolio complexity, degree of

divisionalization, cultural differences, labor cost for sales people and political turmoil.

Based on their literature review on performance evaluation in MNCs, Schmid and Kretschmer (2010) present a contingency framework of performance evaluation of foreign subsidiaries. They distinguish three levels of influence factors they identified in the various publications. At the corporate level the main factors are nationality, size, industry and the degree of internationalization, additional factors are interdependence, the '*parenting style*' and the level of diversification. At the subsidiary level size, country, age and interdependence are named as main influences and at the environment level environmental uncertainty, perceived host market attractiveness and perceived host market risk are cited (Schmid and Kretschmer, 2010: 223). Specific topics of performance measurement in an international context are identified in the consideration of currency, inflation and transfer pricing (Schmid and Kretschmer, 2010: 225).

Interestingly, Schmid and Kretschmer found that different studies come to different conclusions as to the effect of these factors on management control. They attribute these differences to differences in operationalizing variables as well as general weaknesses in contingency studies, such as differences in samples, in study periods, in measurements and scales. Some authors find evidence for a strong influence of the nationality of an MNC on their preference of either output (e.g. US based companies) or behavioral control (e.g. Europe-based companies), while others deny such an influence. Some authors find that internationalization increases output control, some find the opposite. Some authors associate increasing interdependence between headquarters and subsidiaries with more output control, others with behavioral control (Schmid and Kretschmer, 2010: 224). In spite of these inconsistencies, Schmid and Kretschmer have identified some general trends. Formal control seems to be more dominant in US-based MNCs than in Europe and Japan, while Japanese MNCs seem to have a strong preference for personal control. Formal control and cultural control both seem to be positively related to both the size of MNCs and to the degree of

interdependence between the subsidiary and the headquarters (Schmid and Kretschmer, 2010: 227).

The contingency framework proposed by Schmid and Kretschmer suggests that performance evaluation usually represents output control: *'As performance is reached when objectives are achieved, it can be interpreted as being similar or identical to output.'* (Schmid and Kretschmer, 2010: 223). The process of performance evaluation can be formal (in the form of standardized performance reports), personal (in the form of management audits, e.g. during review meetings at the subsidiaries or at the headquarters) or cultural (e.g. in the form of workshops promoting shared performance values). The content of the evaluation can be represented quantitatively in the form of financial (e.g. profits or cash-flow return on investment) or non-financial measures (e.g. productivity, market share) or internal or external qualitative measures (e.g. employee satisfaction, customer loyalty). The standard of comparison of the measures can be actual results versus past results or budget, or internal or external benchmarking. Schmid and Kretschmer identify more than 50 contingency factors categorized as *'general'*, *'strategy and management'*, *'structure and integration'*, *'market and technology'* and *'environment'*, on the MNC- as well as on the subsidiary side, determining the actual content and process of performance evaluation in individual situations.

Kaplan and Norton have presented the balanced scorecard as a means to measure performance with respect to strategic visions as opposed to output or behavior (Kaplan and Norton, 1992: 79). They hold that overall company performance measures need to include the customer perspective, the internal business perspective, the financial perspective and the innovation and learning perspective. Importantly they emphasize the need to decide on few strategic measures, as many companies keep adding new measures while already suffering from information overload (Kaplan and Norton, 1992: 73). In their experience with the balanced score card in over 100 companies they claim that in all cases

'the senior executives discovered that the scorecard supplied a framework and thus a focus

for many critical management processes: departmental and individual goal setting, business planning, capital allocations, strategic initiatives, and feedback and learning.’ (Kaplan and Norton, 2007: 152).

They see the main objective of performance measurement systems in translating the company’s vision into operational measures. By involving multiple hierarchy levels in the definition of these measures, deriving targets and ultimately individual objectives from them, the strategy can be understood and then implemented. Importantly, the incentive system also needs to be linked to this system on each level and investments need to be selected based on their contribution to it.

Micheli et al. (2011) have analyzed the link between performance measurement, strategy implementation and strategic alignment. In their case study, they show how a highly diversified company had extreme difficulties in strategic alignment of their subsidiaries in spite of a common ERP system (SAP), that the subsidiaries had customized to a point where they were in fact entirely different systems (Micheli et al., 2011: 1131). Ultimately this led them to divest several companies and to implement a harmonized performance measurement system including non-financial key performance indicators.

Grewal et al. (2009) presented a framework for the evaluation of subsidiary marketing performance. They distinguish two elementary performance criteria. In their study of 18 international subsidiaries of a fortune 50 company, the first criterion, market asset creation, was based on the inputs marketing personnel deployed and marketing expenditure. Outputs were measured in terms of brand-awareness, number of industrial customers and number of retail outlets. These outputs were at the same time considered inputs for the second performance criterion, market yield. Output for market yield was measured by the variables sales, market share and profits. The authors point out that the competitive and regulatory environment for each country is significantly different and that performance measurement needs to account for this. In their study they had central and local managers rate the respective situation in each country to be able to create control variables

accordingly. In their study they could distinguish 4 types of subsidiaries. *'Miners'* were such organizations that showed high short term market yield, but neglected market asset creation. *'Prospectors'* were such organizations that showed low market yield, but strong market asset creation, essentially by having low per customer yield for various reasons. Universal champs were such organizations who were strong, *'poor operations'* such organizations who were weak in both categories. The strategic path should try to move all subsidiaries in the direction of universal champions. The authors however point out, that emerging markets may require a prospector strategy while a miner strategy may be more suitable for highly competitive markets, where the incremental cost for gaining new customers may become very high.

In their survey of 500 US managers from various industries, Rigby (1994) found that, while the number of management tools was increasing, there was *'absolutely no correlation between the number of tools used, or the specific tools used, and satisfaction with the financial results of a business.'* (Rigby, 1994: 20). They conclude that the usage of management tools must be highly selective and careful.

2.3 Summary and Relevance for this Research

The following text passage summarizes the findings from the literature. Theories on organizational structure and control have been presented, as they apply to MNCs in general and specifically to the sales and marketing functions. Understanding the concepts about how individual market conditions are related to different organizational setups will later help the evaluation of the situational and organizational factors shaping the different headquarters-subsidary relationships we have analyzed in our study.

Strategic challenges and opportunities that have presented themselves to entrepreneurs and company managers over time, have continuously required organizational changes that have led to the emergence of today's multinational, divisionalized corporations. In contradiction to neoclassical

theory, companies can continue to grow in spite of increasing organizational costs in highly concentrated industries where the benefits of controlling know-how in management, marketing and R&D offset these costs.

A number of factors have been presented that can motivate companies to continuously invest in foreign operations, such as international disequilibria in factor cost and productivity, the wish to find additional markets for existing products, positive or negative governmental incentives etc. The emergence of the matrix organization can be seen as a consequence of increasing internationalization due to multinational companies' pursuit of managing global cash-flows instead of local profit centers in their fight for global market share, with an increased need for international, inter-functional coordination.

Importantly, depending on individual market environments, different organizational setups have prevailed or needed to be modified over time. Global companies serve uniform world-markets with highly centralized organizations, multinational companies continue to focus on local adaptability with largely independent international subsidiaries, international companies are expanding their expertise to their international subsidiaries, trying to balance standardization and local responsiveness and transnational companies are trying to continuously build organizational capabilities and flexibility in integrated international subsidiary networks.

Fundamentally, organizations can be organized geographically, typically in low-tech industries with locally adaptive competition, or by business division in the case of world-product markets with high R&D investments. The international matrix organization is balancing the advantages of both organization forms by trying to reach managerial trade-off decisions, however there are many well known problems associated with this system. Without an unambiguous decision making structure, managers can get caught up in internal discussions and power struggles to the point where the organization gets pre-occupied with itself and can diminish its reactivity concerning market opportunities and challenges. Clear matrix-role definitions and pressure-groups are recommended to improve these issues.

The competitive posture of an organization can be seen as a result of the

resource allocation decisions of its sub-units. The conflicting goals of local adaptability and global strategy therefore represent a systematic resource allocation problem for MNCs that has often been addressed unsuccessfully with repeated reorganizations.

The fundamental mechanisms of organizational control have been identified as the market principle, whereby organizational members are rewarded strictly according to their contribution and decision making is based on price mechanisms, the bureaucratic principle, that relies on formal rules that define hierarchies and authorities, and clans, whereby the coordination is reached by a high internal commitment of the members to the organizational goals. Output control is associated with the market principle and easily measurable outcomes. Behavioral control is associated with a clearly definable transformation processes and bureaucratic control. Where neither outcome can be measured nor behavior can be defined, clan control is the only functional solution. In reality, organizations usually are using all three mechanisms to different degrees.

Outcome control makes the sales person an entrepreneur which might be preferable from a motivational aspect; however in such systems, short-term profit goals might be favored over long-term strategic goals. In sales, output control might be the method of choice when products are undifferentiated or customers unclear about their needs and sales peoples' skills and efforts take an important role in sales success and when outcome measurement is reliable. Inexperienced salespeople, legal compliance rules, country-specific corporate cultures, importance of building brand equity, assisting in product development and difficult measurement of individual contributions might on the other hand favor behavioral control mechanisms in sales.

The second part of the literature review focused on international aspects of management control in MNCs. In this section theories about the relationships and control mechanisms in the headquarters-subsidary relationship were presented. These theories will later help us to describe and categorize the situational and organizational factors found in the organizations we have analyzed.

Subsidiaries can be defined as value-adding entities in different host countries that MNCs install in pursuit of resources, markets or efficiencies. Internalization theory can be used to predict subsidiaries as a means to pursue and protect foreign investments over time.

Fundamentally, headquarters-subsidiary relationships can be grouped into '*centralized*', '*decentralized*' and '*network*'. Headquarters typically take an interventionist role when subsidiaries have similar activities and are managed in a uniform way. When there are many reciprocal activities and when subsidiaries need to be connected to each other, headquarters take a mediating role with a large staff of international managers. When the interactions are primarily between subsidiaries, headquarters tend to take a moderating role by merely defining the rules of subsidiary interaction.

Depending on the level of integration and the degree of localization, subsidiary strategies can be classified as '*autonomous*', '*active*' or '*receptive*'. Advantages in central behavioral control can be seen in more efficient operations, similar worldwide corporate identity and world-wide market influence, the optimization of financial returns and avoidance of duplicating organizational efforts. Important country specificities on the other hand might be neglected and the local management might lack self-confidence and appreciation for the headquarters and its managers. Decentralized output control on the other hand might lead to an excessive self-confidence of local managers who might favor local to the detriment of central needs.

Subsidiary managers tend to try to increase their local autonomy and their influence over other subsidiaries. Additional value-adding activities at the subsidiary for the MNC increases the level of mutual dependence and headquarters managers therefore closely monitor subsidiaries who take initiatives. MNCs are often neglecting subsidiary initiatives as a creative potential for world-wide organizational learning.

Depending on and trusting in the headquarters might enhance the willingness of subsidiaries to cooperate, whereby these effects seem to be moderated by the individual countries' cultural level of individualism or collectivism. Self-sufficient subsidiaries can become very independent of their headquarters

and it might then become difficult to reinstall central control. Different mechanisms are proposed in order to reach such strategic change, that can only be achieved when it is regarded as legitimate by a majority of managers. Examples are information and measurement systems, resource allocation procedures, strategic planning and budgeting, selection of key managers, coordination committees, task forces etc. Knowledge sharing of the headquarters-subsidary relationship can be impeded by the unwillingness of the headquarters to share and the unwillingness or incapacity of the subsidiary to receive. The adoption of practices proposed by the headquarters might be compromised by conflicting institutional patterns in the subsidiaries host country. Perceived procedural justice of the headquarters in dealing with the subsidiaries seems to lead to better compliance of subsidiary managers.

Deployment of expatriate managers is seen by some as a vehicle of behavioral control, others argue that it serves the creation of informal networks and thus might allow for more decentralization.

Levels of power distance, individualism, risk attitude and masculinity influence organizational structure, motivation and societal interaction. They also might impact on marketing aspects such as transactional versus relational customer needs, incremental versus radical innovation, utilization of marketing intelligence, treatment of different customer segments,

Performance evaluation of subsidiaries can be formal, personal or cultural. As a general tendency, US based MNCs seem to focus more on formal control than European and Japanese companies and Japanese MNCs strongly seem to emphasize personal control. Both, formal control and cultural control seem to increase with the size of the MNC and with the interdependence of headquarters and subsidiaries. Shorter reporting spans to their subsidiaries and life-careers in the same company are argued to be a sign for more behavioral control in European countries than in the US. Much like in the sales manager - sales person relationship described earlier, the concepts of outcome control in the form of entrepreneurial '*laissez-faire*' management and behavioral control in the form of identical reproduction of

proven sales strategies can be found in the headquarters-subsidary relationship.

Internalization theory can be extended to the Marketing function. MNCs might internalize marketing activities if proprietary information about customers and suppliers is critical for success. Marketing then can broker between these two parties and it takes an important role in R&D by evaluating the market acceptance of new technologies. In marketing driven industries, the R&D function may therefore be outsourced while in technology driven industries the marketing function may be outsourced.

Global marketing strategy comprises decisions on standardization of products, promotion, distribution and pricing, decisions on sustaining competitive advantage by managing the value chain and decisions on global competitive leverage effects such as cross-subsidizing of different countries, competitive dislocation and rationalization.

Local market orientation depends on the legal environment, the local competitive situation and the perceived market orientation of the headquarters. These factors are moderated by the level of identification of the subsidiary managers with the headquarters and the cultural distance between the two organizations.

In the manufacturer-distributor relationship it has been shown that its effectiveness for manufacturers seems to be positively influenced by organizational similarity while distributor power might have a negative influence. Participation in decision making processes seems to have a positive impact on cooperation, but also enhances the power of distributors.

According to relevant characteristics such as structure, age, value-added scope, strategy etc., marketing organizations in subsidiaries can be classified into '*saturated administrators*', '*universal champs*', '*important dependents*', '*promising aspirants*' and '*flexible implementers*'.

According to their performance in terms of market asset creation and market

yield, subsidiaries can be grouped into '*miners*', '*prospectors*', '*world-class operations*' and '*poor operations*'.

The drivers of sales-force effectiveness have been identified as '*definers*', '*shapers*', '*exciters*', '*enlighteners*' and '*controllers*'. An example for successful constant improvement of sales force effectiveness is the respective review and improvement program of the company Novartis.

Higher vertical dependence of the subsidiaries' marketing organizations to the headquarters seems to lead to more standardized processes, while a high degree of subsidiaries' participation in goal setting seems to lead to more locally customized processes. Perceived vertical dependence can thus be seen as a success factor for implementing central marketing processes. However subsidiary managers do not seem to necessarily see the need for coordination as it may present a restriction to their own autonomy.

Relevance for this research

The publications presented in our literature review focus on various aspects of MNCs and their subsidiaries. Apart from establishing a general theoretical background of MNCs and their international subsidiaries, this literature review provides theoretical categories for the structured analysis and comparison of the organizational units studied in this research. Combining the different approaches, figure 6 presents a framework for the structured analysis of MNCs as they relate to their individual local sales and marketing organizations, mapping onto the research questions. Most of the identified influence factors relate to our first two sub-questions about situational and organizational factors, decentralization and delegation, namely international organization and structure, organizational relationships, control mechanisms and strategy, subsidiary classifications, and cultural dimensions.

The last three categories are directly related to the third sub-question about successful improvement activities and tools: headquarters role, performance evaluation and sales force effectiveness drivers.

Thus figure 6 presents the relevant situational, organizational and relational

factors and activities impacting on strategy implementation in subsidiaries of MNCs relevant to each research question.

Research Question	Criteria	Categories
<p>How are situational and organizational influence factors specific to individual subsidiaries impacting on global sales and marketing strategy implementation?</p> <p>How are decentralization, delegation and the absence of disciplinary control influencing the implementation of global sales and marketing strategy?</p>	international organization Galbraith and Kazanjian (1986)	geographic, division, matrix
	international structure Bartlett and Ghoshal (1998)	multinational, global, international, transnational
	headquarter - subsidiary relationship Malnight (1996)	centralized, decentralized, network
	control mechanisms Ouchi (1979)	market, bureaucratic, clan
	control strategy Ouchi (1979)	output, behavior, common goals / socialization
	investment initiative Birkinshaw and Hood (1998)	parent driven, subsidiary driven, atrophy
	subsidiary strategy Jarillo and Martinez (1990)	autonomous, active, receptive
	subsidiary marketing organization types Homburg et al. (2012)	saturated administrators, universal champs, important dependents, promising aspirants, flexible
	subsidiary marketing operations performance types Grewal et al. (2009)	miners, prospectors, world-class operations, poor operations
	cultural dimensions Hofstede (1983)	power distance (uncertainty attitude, collectivism / individualism, masculinity /
	manufacturer - distributor relationship Homburg et al. (2002)	similarity, distributor power, distributor participation
What are Successful Activities and Tools to Improve Central Control?	headquarters role Beddi (2011)	interventionist, mediating, moderating
	performance evaluation Schmid and Kretschmer (2010)	personal, formal, cultural
	sales force effectiveness drivers Zoltners et al. (2008)	definers, shapers, excitors, enlighteners, controllers

Figure 6: Analysis Framework for MNCs and their Local Sales and Marketing Organizations

For each subject the proposed categories for classification are detailed. Categorizing each of the local country sales and marketing organizations in this study according to this framework will facilitate the presentation of a thorough description that will underpin the analysis and comparison of the individual situations and challenges. This will later allow to compare the country-specific situations and challenges of the studied division of an MNC in order to identify corresponding successful activities and tools to improve central control and hence global strategy implementation.

Chapter 3: Research Design

3.1 Problem Statement and Research Questions

Based on a case study of the SurgiSupplies division that is part of the MNC HospiMed (for reasons of anonymity both entities have been assigned fictitious names), this research was developed to make a contribution to the practice of management in highly divisionalized multinational corporations and thus to contribute to the current theoretical debate on managing MNCs. SurgiSupplies, the case studied at the heart of this research, has experienced difficulty in implementing standardized strategies across its international sales and marketing organizations. It is this core challenge that this research is designed to address.

SurgiSupplies is a division, but separate legal entity, of HospiMed, an MNC in the pharmaceutical and medical device business.

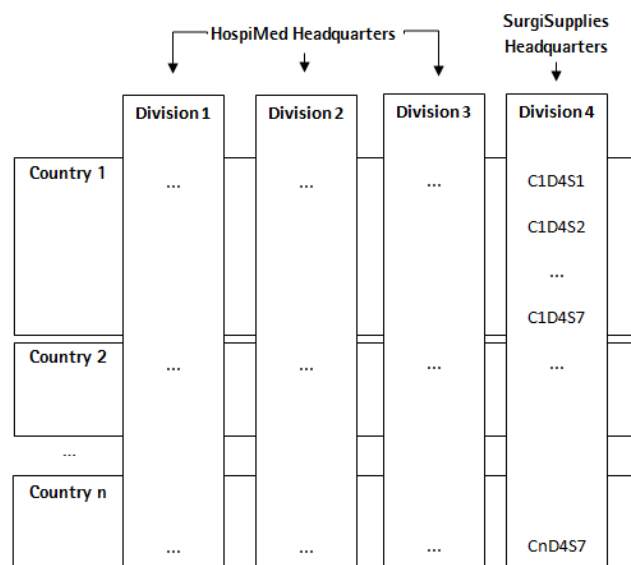


Figure 7: HospiMed and SurgiSupplies International Sales and Marketing Organizations

Figure 7 displays the HospiMed and SurgiSupplies international sales and marketing organizations for different countries, divisions and SBUs (e.g. C1D4S7 stands for the sales organization for country 1, division 4 and SBU

7). HospiMed has three product divisions whose management structures are located at the HospiMed Headquarters. One is dealing primarily with pharmaceutical products for hospital demand, one with consumables for out-patient use and one is dedicated to a medical subspecialty. SurgiSupplies, a fourth product division, is a separate legal entity specializing in surgical equipment, implants and consumables, and it has its own divisional headquarters in a different location than the other three divisions. When HospiMed acquired and integrated SurgiSupplies successively in the 1980s and 90s the former independent local country subsidiaries of SurgiSupplies had been merged with the local representations of HospiMed. SurgiSupplies thus no longer had direct disciplinary control of their local country sales and marketing organizations except in certain emerging markets, where no subsidiaries had yet been established, and SurgiSupplies continued to manage their local dealers directly from the central divisional headquarters.

Functional control over the subsidiaries was maintained via a central marketing SBU structure with product and marketing managers. There was also a structure of so called 'regional heads' who were assigned to develop and supervise the implementation of country strategies with the local managers. However this regional head structure had certain weaknesses, as the regional heads were often at the same time general managers of an own country subsidiary, leaving them limited time to fulfill their regional responsibilities. In larger countries, the country general managers assumed the regional head role for themselves, so that there was factually no corporate regional management assigned to them.

In 2009, in the context of the definition of a new 5 years strategy, a number of weaknesses in the international SurgiSupplies sales structure had been identified:

'sales execution is often too weak in many markets, undetectable market shares per SBU, untuned conflicts about sales resources in different countries amongst the responsibility of divisions / SBUs, high staff turnover in some local sales organizations' (source: PowerPoint presentation of the Senior Vice President of Sales at a SurgiSupplies international SBU meeting, July 8, 2010).

Besides quality problems in sales execution, lacking product focus had been identified in many subsidiaries, leading to dispersed market presence with small segment shares. SurgiSupplies' 5 years company strategy paper therefore set the sales focus on *'systematic networking ... for a new level of efficiency and effectiveness in our sales force.'* (source: SurgiSupplies 5 year strategy presentation, January 19, 2011).

As an organizational measure to overcome these shortcomings, an international central sales department was created in addition to, but partially based on existing structures. Specifically, a senior vice president of global sales was nominated and became part of the SurgiSupplies executive team. Central sales managers were newly assigned to most of the top-selling country sales organizations, while such functions had already been in place previously for smaller organizations. The goals of the central sales department were defined as the targeted and focused development of the sales force in close cooperation of central and local managers, competent and consequent implementation of the company strategy in the local sales organizations, implementation of central sales performance management and the development of knowledge about local markets, trends and customers (source: SurgiSupplies 5 years sales strategy, May 5, 2010).

In the following case study, a thick description of management control concerning the SurgiSupplies local sales and marketing organizations is to be developed and the early activities of the new central sales department are to be evaluated. To this aim the principle research questions has been formulated as *'How can divisional sales and marketing managers enforce global strategies in subsidiaries of highly decentralized multi-national corporations?'*

In order to guide the research it has been complemented with the following sub-questions:

How are situational and organizational influence factors specific to individual subsidiaries impacting on global sales and marketing strategy implementation?

How are decentralization, delegation and the absence of disciplinary control influencing the implementation of global sales and marketing strategy?

What are Successful Activities and Tools to Improve Central Control?

How useful are performance surveys for the improvement of international sales force effectiveness?

3.2 Contribution to Knowledge and Business Practice

Apart from the contribution to business practice by addressing a current management problem of an existing MNC, a recent publication also confirms the academic relevance of the research question. In their Delphi study with the participation of 115 leading scholars in the field of international business studies concerning future research themes in this domain, Griffith et al. (2008) have identified a large number of open research topics. These included research questions similar to those of this research, such as:

'How do the structure and form of MNEs influence their performance? How can headquarters effectively address local resistance against global coordination? How can MNEs integrate their subsidiary skills and competencies into global strategic assets? What are the factors that moderate the role of subsidiaries in decision-making?' (Griffith et al.; 2008: 1227-1228).

Also, as mentioned above, very few studies have been performed in the context of international sales management (Piercy et al., 2011). In addition, there is little knowledge of the specific problems of middle managers in international sales management in divisionalized matrix organizations, despite the increasing strategic importance they are given in literature concerning strategic change (Kuyvenhoven and Buss, 2011).

3.3 Epistemological Aspects

Johnson and Duberly define epistemology as the *'study of the criteria by which we can know what does and does not constitute warranted, or scientific, knowledge.'* and they hold that *'epistemology is pivotal to science*

since ‘proper’ scientific theorizing can only occur after the development of epistemological theory.’ (Johnson and Duberly, 2003: 3). This research is based on the philosophical movement known as pragmatism, which holds that *‘Something is true if it allows us to accomplish what we set out to accomplish; if it helps us achieve our objectives.’* (Greetham, 2006: 77) or, in other words, *‘to have knowledge is the ability to anticipate the consequences of manipulating things in the world’* (Johnson and Duberly, 2003: 159). It is the combination of a social constructivist epistemology and ontological realism (Johnson and Duberly, 2003: 157), meaning that human beings negotiate and construct varying interpretations of a singular physical reality. Pragmatism as seen by Charles Sanders Peirce (1839-1914) considers knowledge the result of trial and error in human activity, developing and testing ideas in the pursuit of desirable consequences (Stevenson, 2002: 211). Knowledge claims in pragmatism are always preliminary and subject to falsification (Johnson and Duberly, 2003: 159-160). Epistemological pragmatism allows the usage of all known management research methods because firstly both structural relations and subjective meanings of human beings are in the scope of pragmatists’ interest, where different research methods might lend themselves when *‘assessed through the lens of practical adequacy’, and secondly, the epistemological subjectivism does not justify the supremacy of any particular method’* (Johnson and Duberly, 2003: 168).

According to Schön (1983) the traditional positivist conception of practice following science is no longer adequate, since professional knowledge as taught by universities in today’s world is not adequate to address actual day-to-day challenges of business professionals:

‘... professional knowledge is mismatched to the changing character of the situations of practice - the complexity, uncertainty, instability, uniqueness, and value conflicts which are increasingly perceived as central to the world of professional practice. In such fields as medicine, management, and engineering, for example, leading professionals speak of a new awareness of a complexity which resists the skills and techniques of traditional expertise.’
(Schön, 1983: 14).

Schön, using terms such as *'knowing-in-action'* and *'knowing-in-practice'*, describes professional knowledge as being *'tacit'*, as it is manifested in courses of action. Professional knowledge understood by these terms needs to be reflected upon consistently in order to integrate continuous subtle changes that require modifications of traditional action patterns. This process is being described in literature as *'double-loop learning'*, whereby in addition to the *'single-loop'* of trial-and-error of actions and consequences, the governing variables need to be screened simultaneously (Argyris, 1999: 68). This can be seen as a constant screening of the governing variables, as described above in the context of double-loop action learning (Figure 8).

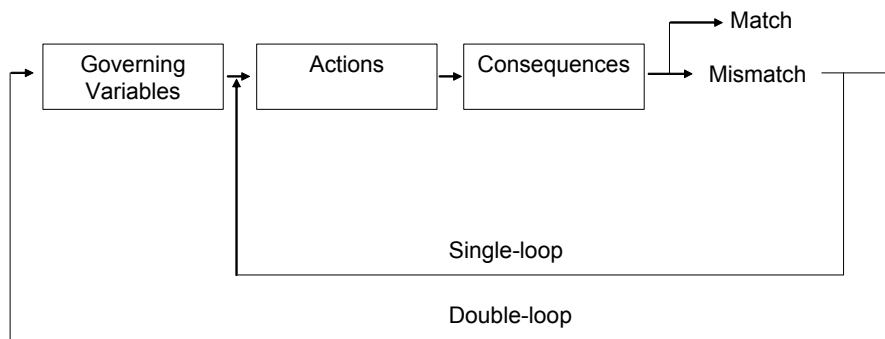


Figure 8: Single-Loop and Double-Loop Action Learning

(Argyris, 1999: 68)

Gibbons et al. (1994) similarly argue that traditional science produced within and by university departments, that they refer to as mode 1 of knowledge generation, is no longer the single source of scientific knowledge generation in post-industrial societies. Their so called mode 2 of knowledge creation is characterized by occurring within the context of application in the sense that the motivation for research are practical, highly contextualized problems rather than the formulation and testing of grand theories. The two other main differences to traditional science are that this mode of knowledge generation is truly interdisciplinary and that the quality of research is judged by stakeholders in terms of practical usefulness of the results. However mode 2 still advances theory as *'... discovery occurs in contexts where knowledge is developed for and put to use, while results – which would have been*

traditionally characterized as applied – fuel further theoretical advances.' (Gibbons et al., 1994: 19). As this research occurred in a real life, highly contextualized problem-solving situation it represents this type of knowledge generation.

3.4 Aspects of Ethics and Insider Research

Approval for this study was sought from the University of Bradford's Committee for Ethics in Research, respecting the Bradford School of Management's Guidance Document for Ethics in Research Projects.

As the researcher himself is one of the responsible international sales managers, he has the opportunity to get privileged access to information.

While insider research by members of an organization has become an accepted method, specific care needs to be taken to evaluate and document the researcher's pre-understanding, role duality and data access as well as to manage organizational politics and ethics (Coghlan and Brannick, 2005: 101-140).

3.5 Considerations in Research Design

In order to distinguish research designs, Bryman and Bell (2007: 38-73) identify cross-sectional, experimental, longitudinal, case-study and comparative forms. Yin (2009:53) refers to comparative designs as multiple case studies. When deciding on the design of this research, experimental forms were excluded as they are uncommon and difficult to apply in business research (Bryman and Bell, 2007: 44) as well as longitudinal designs that would surpass the available time frame. Cross-sectional designs are recommended for quantitative research ('what?', 'how many?', 'how much?' type questions), while explanatory ('how?' and 'why?' type questions) are better addressed by experiments, histories or case studies (Yin, 2009: 8-10).

Eisenhardt and Graebner (2007) recommend cases for theory building, when *'...the research question is significant, and (...) there is no existing theory that offers a feasible answer.'* (Eisenhardt and Graebner, 2007: 26).

While confirming to the continued academic relevance of intercultural research in multinational organizations, Buckley and Casson (2002) suggest the use of comparative methods in this context:

'The interplay of national cultures and organizational cultures of multinational organizations which might augment, transcend or conflict with particular national cultural traits, represents a research agenda with much life left in it. ... These issues are perhaps best understood as exemplars of a particularly fruitful methodological approach – the comparative method ...'
(Buckley and Casson, 2002: 369).

Following above findings from literature, a case study with multiple embedded sub-units of analysis was chosen, as the research question demands an explanatory answer. In order to achieve a comparative design, improving the external validity of the results, we have chosen to use SurgiSupplies' divisional sales and marketing teams in country subsidiaries of HospiMed as sub-units of analysis. To achieve maximal heterogeneity, the five teams were selected to represent different geographical regions (Asia, North-, South-, East- and Central-Europe) and at the same time different strategic business units. Further there was representation of the domestic versus foreign sales forces, and of developed versus emerging economies. The selected country organizations that are being referred to as countries 1, 2, 3, 4 and 5 were to represent strategically important organizations either by current sales volume or by future sales expectations.

While the research is based on a case study, it also includes elements of action learning. Business professionals engaging in DBA study programs will most often choose to study the organization they are part of. In fact, we believe this to be one of the strengths of these research programs, as it allows privileged access to current data that is otherwise usually confidential. Besides contributing to theory, DBA (doctor of business administration) research requires a contribution to business practice in the sense of applied science. By the nature of their jobs, managers are permanently involved in

group activities looking for improvement. Their research will hence often lead to collective learning loops with corrective action single- and double loop group, and hence, action learning. Even in doing a retrospective case study, managers are likely to look for the current and future implications simultaneously in the course of their research and to involve their peers at work with the implications. We therefore believe that insider business case studies will often include elements of action learning and that this can be beneficial to the orientation of the research towards relevant current business challenges.

3.6 Methods

Research Approach

This is an embedded case study using both qualitative and quantitative research techniques.

Objectives	Methods
Identification of situational and organizational factors impacting on strategy implementation	<ul style="list-style-type: none"> * literature review: development of a qualitative analysis framework * coding and content analysis of semi-structured interviews * cross-case analysis of qualitative results, survey responses and actual sales outcomes from 7 subsidiary sales organizations
Identification of the relationship of decentralization, delegation and disciplinary control and strategy implementation.	
Identification of successful activities to improve central control	
Evaluation of the usefulness of performance surveys for the improvement of sales force effectiveness	<ul style="list-style-type: none"> * factor analysis: validation of survey scales * correlation analysis: relationship of measured performance and actual sales force effectiveness

Figure 9: Research Objectives and Analysis Methods

The qualitative element comprises 32 semi-structured interviews and the quantitative part consists of two surveys, one to evaluate self-perceived performance of subsidiaries (n = 141) and a second survey to understand subsidiary attitudes towards headquarters activities (n= 125).

While the external validity of a single case study by definition is limited, we enhance it by adding heterogeneity with the use of multiple local sales and marketing organizations in different countries and different product markets as embedded sub-units of analysis. The fact of covering all 7 SBUs of the studied company should also contribute to internal validity. The use of qualitative and quantitative data allows the additional analytic strategy of data triangulation, improving construct validity (Yin, 2009: 116).

Figure 9 shows how the different analysis methods relate to the individual research objectives.

The research objectives corresponding to the first three research sub-questions are addressed by the development of an analysis framework from literature, by coding and content analysis of the semi-structured interviews and by cross-case analysis of the qualitative results, the survey responses and the actual sales outcomes from 7 subsidiary sales and marketing organizations.

The research objective corresponding to the fourth research question is the evaluation of the usefulness of performance surveys as established by SurgiSupplies for the improvement of sales force effectiveness. To this end, firstly the consistency of the survey responses is verified by statistically checking the validity of the scales used in these particular surveys by means of factor analysis. Actions improving on measured performance criteria of the sales force can only be successful, if these criteria are relevant for actual sales outcomes. Therefore, secondly, the power of the sales and marketing performance measured by the surveys to predict actual sales force effectiveness is verified by means of correlation analysis.

3.6.1 Semi-Structured Interviews

This phase consists of 32 semi-structured interviews with sales and marketing managers of the SurgiSupplies division in 5 countries and 7 SBUs. The interviews were performed in the period between September 2011 and July 2012. The data collection technique of using semi-structured interviews with highly involved participants allows the creation of substantive middle-range theory, that falls *'between the 'minor working hypotheses' of everyday life and the 'all-inclusive' grand theories'* (Glaser and Strauss, 1999: 32-33). This data collection method should therefore help to establish such middle-range theory in the specific context.

Sample

Participants were selected from the headquarters of SurgiSupplies as well as from the selected country subsidiaries in a way that all marketing and sales management functions concerning a given unit of analysis were represented. From a headquarters perspective the participants were the respective vice presidents of marketing, product managers, business development managers and regional vice presidents of sales. For the subsidiaries, local general managers, division managers, sales managers and marketing managers were interviewed. In order to ensure anonymity, all participants were assigned fictitious names (Figure 10).

Country	1	2	3	4	5
SBU	1	2	3a and 3b	4	5a and 5b
Central Marketing Head	Max	Fred	Adam, Toni	Oliver	Brian, Charlie
Central Sales Manager	Kevin			Daniel, Harry	Paul, Claire
Central Business Development Manager	Peter	Susan		Thomas	
Central Product Manager		Mike	Marc		
Central Training Manager		Joe			
Local General Manager	Luke	Albert	George		
Local Division Manager				William	Patrick
Local Sales Manager	Ian	Tom	Keith		Larry
Local Marketing Manager	Justin	James	Sean		Edward
Local Sales Person		David			

Figure 10: Interview Participants

Interview protocol and implementation

The method for data collection and data analysis was pre-tested in 5 additional interviews of local sales managers prior to this study (Schill, 2010). The interviews were guided by a schedule (Robson, 2002: 269 - 291) and contextualised by the nature of the management challenge of the case company. This protocol contained how participants were to be informed about the study form and background, what were the introductory comments of the interviewer, a topic list and the closing comments. Interviews were scheduled at least 24h ahead and participants were informed about the background (DBA program of the University of Bradford) and the form of the study, specifically the procedures for audio-recording and transcribing were explained at the moment of interview scheduling. Interviews were usually held in private atmosphere, most often in company meeting rooms. At the beginning of each interview, the interviewer explained to the participants the procedure for informed consent. Once the audio-tape was running the interviewer always asked as a first question, if participants agreed to participate in the research project they had been informed about. When participants had agreed, the researcher started reading open questions from a topic list to them (Annex 4). It is important to point out, that the purpose of the topic list was merely to guide the participants towards the general topic areas of the research questions. In order to allow an open inductive approach and theory generation, the topic list was not a result of the literature review. During the interview, the interviewer attempted to motivate participants to talk freely about the topic areas, and encouraged them to go into detail. Specifically the participants were asked to provide 'thick descriptions' of their perceptions of the divisional sales performance management at the subsidiary and the headquarter level. The researcher tried to avoid leading questions or activities. At the end of each interview, each participant was given the opportunity to suggest topics by themselves that they thought to be of importance or interest in the research context and to give their opinions on these topics.

In order to stay as close as possible to the original interview data, original citations from the participants were used frequently in the text. Citations from foreign languages were translated by the researcher into English, the original citations can be found in Annex 5. For country 2, one of the local subsidiary managers, James, functioned as a translator during the interviews with two of the other participants, Tom and David. The recording of the conversations in native language was later transcribed and translated by an external professional translator.

Another qualitative data source were three internal strategy documents that were used to explain SurgiSupplies' strategic challenges and objectives (section 3.1).

Data capture, management, transcription and storage

All interviews were tape-recorded using the laptop computer provided to the researcher by his employer and a connected microphone. Data security back-up was managed automatically on this computer via the company network. This proved to be practical, as only a single device was necessary and all data was stored in a single database. Participants were assigned fictitious first names to ensure anonymity. All transcriptions were performed by the researcher on the same computer, resulting in about 750 pages (225 000 words) of transcripts including the pilot study interviews.

Data reduction

Transcripts were divided into text passages representing single '*units of meaning*' and codes were assigned to them, these were then regrouped into categories using an axial coding process (Miles and Huberman, 1994: 55-68). For case one, data coding was performed using the text analysis software Atlas.ti 6.2. As this proved to be lengthy and cumbersome, this technique was abandoned and all cases were coded with a manual technique, by creating short summaries of all relevant text passages and assigning them headers that represented the initial open codes. The coded text passages were then regrouped into bigger categories that represent the

final axial codes of the data. These codes are found in the text as sub-headers of all text passages (e.g. section 5.2.1 'influence of central managers on local strategies', 'central managers' credibility', 'motivating and committing all local hierarchy levels', etc.). The result of this coding process was organized for each country according to the research questions into the three main categories 'situational factors', 'organizational factors' and 'strategies, activities and attitudes'. As it is the main focus of this research, only the last category was represented in full in the main body of text of the analysis. The other two categories are summarized in the main body of text, while the complete analysis can be found in Annex 3, with the exception of the code 'influence of central managers on local strategies'. Due to its importance the full data for this code is also represented in the main analysis.

Analysis technique

Miles and Huberman distinguish three fundamental approaches to qualitative data analysis (Miles and Huberman, 1994: 8-9). Interpretivism, such as phenomenologism or social interactionism generally are interested in gaining practical understanding of human discourse and activity by using methods such as for example discourse analysis or analysis of group (inter) actions. Social anthropology sets its focus on developing contextual theory about communities, using a wide range of methods such as ethnography, grounded theory or case studies. Buckley and Chapman (1996) advocate comparative social anthropologist approaches and methods for international business research. Collaborative social research appears in the form of social experiments designed and carried out by groups of people. The method is usually action research, where a group task is defined and the group goes through a number of learning cycles initiating change and reflecting on the success of their actions. Following this argumentation we would claim a social anthropologist approach, as our research is trying to develop contextual theory about the community of managers at SurgiSupplies.

Yin (2009: 130-163) differentiates 4 fundamental analytic strategies (following theoretical propositions, developing a case description, using both

quantitative and qualitative data and examining rival explanations) and 5 analytic techniques (pattern matching logic, explanation building, time-series analysis, logic modeling, and cross-case synthesis) for case studies.

Our principle analytical technique is cross-unit synthesis, as we will analyze multiple units of analysis. This improves the reliability and the external validity of the results, along with establishing a research protocol (Yin, 2009: 81). In order to further improve the reliability of the study, all evidence used were stored in a study data base (Yin, 2009: 118-119). A framework for cross-unit synthesis was developed in the literature review. In section 6, tables comparing the different local marketing and sales units are presented, placing them into the different categories identified in the literature. For this categorization we used elements from actual sales outcome statistics, survey data and interview data. Cross-patterns were identified by means of argumentative interpretation (Yin, 2009: 156, 160).

The completed study was also presented to the CEO of SurgiSupplies who found the study to be an accurate representation of the actual situation of the company and regarded the findings to be interesting and important.

3.6.2 Performance Surveys: Objectives and Methods

This section describes the phase of the research involving the secondary analysis of data from performance surveys of local subsidiary sales organizations and of central headquarters marketing departments. The analysis steps are presented in figure 11. The purpose of this analysis was to evaluate the usefulness of these surveys for gaining valid information about local perceptions of self-performance and headquarters performance. Such information should help with the definition of action plans for performance improvement and generally increase central control capabilities. The first step therefore was the validation of the scale items used in the surveys. Factor analysis can be used to reveal the underlying structure of data sets in the form of latent variables, to validated questionnaires and to reduce the amount

of data while keeping as much of the initial information as possible (Field, 2009: 628).

We thus used this technique in an attempt to identify the constructs underlying the responses of the survey participants and to verify if the survey actually measured what it was intended to measure. The second analysis step was to determine, if performance measured by the surveys was related to actual sales output, i.e. sales force effectiveness criteria.

	Subsidiary Performance Survey	Headquarters Performance Survey
Research Question	How useful are performance surveys for the improvement of international sales force effectiveness?	
Participants	local division managers	local marketing and sales managers
Sample size n	141	125
Step 1	validation of survey scales	
Method	factor analysis	
Step 2	predictive power of the survey for sales force effectiveness	
Method	Pearson's correlation coefficients for survey items / extracted factors and sales output variables	
Step 3	influence of central performance on local performance	
Method	Pearson's correlation coefficients for factors from both surveys	
Step 4	usefulness of survey results for definition of improvement strategies	
Method	interpretation and comparison of survey results from studied cases	

Figure 11: Quantitative Study Objectives and Methods

To this end Pearson's correlation coefficients were calculated for individual survey item outcomes and extracted factors and actual sales outcomes. A third step was to determine if perceived subsidiary self-performance was related to perceived headquarters performance, in other words to determine to what extent the subsidiary managers believed that their own performance

was enhanced by headquarters activities. Pearson's correlation coefficients were therefore calculated for all combinations of extracted factors from both surveys. A fourth step was to determine if the survey results were useful for the definition of country specific improvement strategies. To achieve this, the survey results from the 5 countries that we specifically focused on were individually analyzed and interpreted by the researcher.

Sample, Implementation, Data Management and Data Analysis

The secondary cross-sectional data from the two performance evaluation surveys of 141 (survey 1) and 125 (survey 2) divisional sales and marketing teams from 32 countries has been analyzed with state of the art statistical methods such as factor analysis and correlation analysis. The details of the data collection and data analysis are presented separately in section 4. The questionnaires were internet based. Links to the questionnaire software were sent to the participants with an explanation of the background of the survey.

Data analysis was performed using the software package SPSS 17.0. As required by the software, each survey item was assigned a single word as a variable name. For factor analysis, following the recommendations of Field (2009: 627-685), we used the principle components method with Varimax Rotation of the component matrix. In accordance with the Kaiser criterion, only factors with Eigenvalues > 1 were extracted. KMO and Bartlett's tests were used to ensure sampling adequacy. Cronbach's Alpha was used as a reliability statistic to validate the scale items for the extracted factors.

3.6.3 Subsidiary Performance Survey

In their attempt to improve management control of the subsidiaries, SurgiSupplies' central sales management department surveyed division managers of the leading subsidiaries. The ultimate goal was to measure sales and marketing performance and to identify improvement potential, from which action plans then could be derived. In order to answer the sub-

research question '*How useful are performance surveys for the improvement of international sales force effectiveness?*' the usefulness of these surveys required evaluation. To this aim firstly we verified the statistical validity of the survey responses and secondly we analyzed how the performance measured in the survey was related to actual performance output measures, such as sales volumes, growth rates and market shares.

Jamarillo et al. (2005) have tried to test the validity of self-evaluations of sales people by comparing subjective managerial evaluations with sales person self-evaluations. In their meta-analysis of 33 sales performance measurement studies self-evaluations and managerial evaluations showed low convergent validity, indicating that these measures were not interchangeable. Another finding was that managerial evaluations had higher correlations with objective performance than sales-people self-evaluation (Jamarillo et al., 2005: 320-322). The authors have explained this with what they called the '*performance effect*', representing that participants with low performance will overestimate their own performance while participants with high performance inversely will underestimate their performance. The study of Jamarillo et al. involved self-evaluations of sales people, while in this research self-evaluations were collected from divisional managers in country subsidiaries. In the following we want to test the validity of self-performance evaluation in our specific context of international sales and marketing organizations.

Instrument development

The survey design was not developed by the author, but by a business performance manager of SurgiSupplies. The team of central sales managers of which the author is a member however gave feed-back concerning the content of the survey forms. The survey form (Figure 12) had thus been modified from previous versions that had been evaluated in an unpublished pilot study prior to this research (Schill, 2011). The formulations indicating examples of ideal vs. poor situations are subject to further improvement for future repetitions of the survey.

	excellent	1 2 3 4 5 6 7 8 9 10	poor
Sales Strategy / Goal Setting - We have a clear strategic focus on customers & products - Everyone knows this strategy and acts accordingly - Clear sales targets are set and continuously monitored		<input type="checkbox"/>	We set goals for our sales force, and monitor their achievement at the end of the year.
Sales organization and management Local sales management ensures adequate - sales force / dealer size and structure - sales force / dealer competence - territory alignment We have implemented formal sales tools and processes to monitor targets and achievements regularly and with written documentation.		<input type="checkbox"/>	We focus on the opportunities that arise from the market, trying to make the best from the limited resources that we have.
Sales Leadership Our sales managers are committed to develop team competencies, a strong team spirit and a sales force success culture. They provide guidance in the daily sales activities of the sales people.		<input type="checkbox"/>	Our sales managers are themselves deeply involved in daily operative sales activities.
Team competence Our team has the right mix of product, service and sales skills. Service orientation: understand customer processes and problems, develop creative solutions and successfully implement these, get internal organizational support. Sales skills: customer leadership, relationship management, ability to close the deal, ability to deliver profitable growth		<input type="checkbox"/>	The team skills regarding product, service or sales skills need to be improved.
Incentive systems Our incentive system is clearly aligned to our defined sales goals and consequently encourages active implementation of our strategy.		<input type="checkbox"/>	The incentive system is mainly focused on individual revenue contribution, and not specifically aligned to the strategic approach.
Team Motivation and Retention We have a highly motivated and committed sales force. Our top performers stay in the company, building a strong and reliable base for our long-term success.		<input type="checkbox"/>	The team motivation should be improved. Our best people constantly leave the company, as soon as we have trained them sufficiently.
Market volume / growth rate We clearly understand our market and have reliable and accurate information about the following key market characteristics: - number of procedures / market potential / growth rates - number of hospitals / centers - relevant products		<input type="checkbox"/>	We don't use specific information about market volume and growth rate, we use a rather operative approach, targeted on specific customer engagements.
Competition (ranking, market shares) We have a deep understanding of our competitors and their position in the market, specifically regarding - the number of sales reps - their sales territories and focus areas - their specific customer relationships - their strengths and weaknesses		<input type="checkbox"/>	We don't specifically analyze our competition, we have enough operative knowledge about our competition to do the job.
Market trends We clearly understand local market trends and their implications on our strategic directions, specifically regarding - market price and implications on our profitability - regulations and reimbursement - treatment concepts - KOL / "Young Lions"		<input type="checkbox"/>	We don't specifically analyze local market trends, we focus on our operative sales management to make the numbers.
Customer potential analysis We have a deep understanding of our customers regarding their overall sales potential and their realistic Aesculap potential (preferred supplier / niche / low) for all hospitals in our country. Every sales rep has this information readily available for their territory and knows the detailed competitive situation in their hospitals.		<input type="checkbox"/>	We do not specifically work with defined customer potentials. We have a clear set of defined customers, whom we focus our main activities on.
Customer targeting & profiling Based on the customer potential analysis and a clearly defined target customer profile, we have identified our target customers (existing and new customers) for each sales territory, based on the criteria "high realistic sales potential for Aesculap", and "clearly identifiable chances to win this potential".		<input type="checkbox"/>	We do not specifically define target customers based on potential, rather we try to win new customers wherever the situation allows.
Account planning & mapping For each defined target customer, we have a detailed analysis of their buying center and their decision processes ("Account Mapping"). We have clearly defined our offers for these customers and have developed an individual Winning Strategy. We have a structured account development plan in place, covering Profiling, Implementation and Monitoring.		<input type="checkbox"/>	We usually focus on our key contacts at our customers, and work on expanding our relationship with these. Wherever possible, we expand our customer networks.

Figure 12: Subsidiary Evaluation Survey

The data was collected by an internet based survey of the division managers of the top selling 25 SurgiSupplies countries. Each country manager was asked to respond to 12 survey items about 7 SBUs (Figure 11), resulting in a theoretical sample size of $25 \times 7 = 175$ questionnaires. The participants were asked to rate their local marketing and sales organizations on Likert scales of 1 (excellent) to 10 (poor) for each survey item.

For better understanding of the question, for each survey item a description of an ideal situation and a poor situation was given. The 12 survey items were pre-grouped into the four categories '*sales and dealer organization and management*', '*people*', '*detailed market knowledge*' and '*detailed customer knowledge*'.

The previous versions had found little acceptance as the survey form had taken too much time to complete, they contained too many survey items, and each one of them either suggested a written comment (survey version 1) or lengthy explanations to read (survey version 2). Besides shortening of the survey to 12 items on one printed page, the need for written comments was omitted and it was presented on an internet platform. The survey items had also been completed to globally cover all topic areas from the survey design presented by Zoltners et al. (2008). Also, following the suggestions from Zoltners et al., a second scale '*need for improvement*' with the scale options 'high', 'medium' and 'low' was integrated in the new version.

One country failed to respond and two countries were excluded as they had essentially only used Likert scale value 1 with few exceptions of using value 2, indicating a strongly positively biased response. Some of the remaining countries had not answered for all SBUs and the total number of responses included in the analysis was $n = 141$.

3.6.4 Headquarters Performance Survey

In order to better understand how the subsidiaries viewed the support they received from central marketing departments at the divisional headquarters, SurgiSupplies central sales management surveyed subsidiary managers.

The goal was to reveal sources of dissatisfaction and to improve the service level and the cooperation.

As in the previous survey, in order to answer our sub-research question *How useful are performance surveys for the improvement of international sales force effectiveness?*, in this section we want to evaluate the value of these surveys for improving management control by verifying the validity of the survey responses and by analyzing how the performance of central marketing as measured in the survey is related to actual performance output measures of the subsidiaries.

Sample

The data was collected by an internet based survey of the division managers of the top selling 27 SurgiSupplies countries. Each country manager was asked to respond to 16 survey items about 7 SBUs (Figure 13), resulting in a theoretical sample size of $25 \times 7 = 189$ questionnaires.

Instrument Development

The participants were asked to judge the performance of central marketing departments according to the four categories ‘+ +’ (excellent), ‘+’ (good), ‘-’ (fair) and ‘- -’ (poor). For better understanding of the question, for each survey item a description of an ideal situation and a poor situation was given.

The survey items were pre-grouped into the five categories ‘*organizational setup and strategy*’, ‘*competency*’, ‘*communication*’, ‘*support level*’ and ‘*product quality and availability*’. Like for the previous survey, the survey form (Figure 13) was developed essentially by a business performance manager at SurgiSupplies. Although all countries responded and no countries were excluded the sample size was lower in this survey than in the previous one, as people only responded concerning SBUs that were important in their country and where they felt they had significant contact with the people they were asked to evaluate. The total number of responses included in the analysis was $N = 125$.

	++	+	-	--	
Please rate the SBA 0 organizational setup and strategy					
The organizational setup of the SBA is clear, transparent and logic. I always know the right contact person for any matter.					I really do not understand the organizational setup of the SBA. Often, it is difficult to find the right person for a task. I could think of better ways to structure
The SBA strategy is clear and well communicated. The goals are demanding but realistic. I understand the impacts to my local activities.					The SBA strategy has not been very well communicated. We could benefit from a more clear and supportive strategy.
The SBA strategy is the ideal basis to achieve a unique competitive position in the local market.					The SBA strategy is not well suited to my local needs, and does not improve my local competitive position.
	++	+	-	--	
Please rate the SBA 0 competency regarding the following aspects					
The SBA team has an excellent knowledge of the international competitive situation. They are able to transfer conclusions to our local market situation and its specific requirements.					The SBA team is not able to transfer their knowledge to our local market situation and specific requirements. Thus, their support often does not meet our local needs.
The SBA team has an excellent product knowledge, giving us the right level of support.					Often, we have a deeper product knowledge locally than the central SBA team can offer.
The SBA team supplies us with the right marketing and sales tools to be successful in our market. The well-prepared campaigns ideally complement our local activities and drive our business.					Usually, we have to develop our own marketing and sales tools in order to get the products to our market.
	++	+	-	--	
Please rate the SBA 0 communication					
The communication level with the SBA is excellent. We receive the right amount of information, at the right frequency. The communication is clear, structured, and proactive.					Communication with the SBA could be improved. It is either too much or too little, and often not clearly understandable.
If we have questions, the response time and level of detail is exactly what we need.					Requests are not replied to in a timely manner, we often need to ask several times.
	++	+	-	--	
Please rate the SBA 0 support level					
For our local organization, we get the right level of support from the SBA. The support is very effective, both on operational and on management level. When required, the central team is present in our local market.					We could be more successful, if we would get the right level of support from the SBA. Often, the support process is rather complicated and time consuming.
The SBA training standards for existing and new products and processes support our local organization to get ahead of the local competition.					With adequate training, we could significantly improve our market competitiveness. However, the SBA can not support our specific training needs.
It is always great to work with the SBA team. The support that we get from the SBA is flexible and adapted to our local needs.					The support that we get from the SBA is based on centrally-defined standards which are not applicable to our local market needs. They do not seem to have the right "feeling" for our local team, the level of support does not meet our needs.
	++	+	-	--	
Please rate the SBA 0 product quality and availability					
The SBA product quality level is outstanding and helps to increase our local market share.					With the current SBA product quality level, we will probably lose market share in the near future.
The SBA delivery performance and logistic quality level is outstanding and helps to increase our local market share.					With the current SBA delivery performance and logistic quality level, we will probably lose market share in the near future.
The SBA innovation performance (innovation strength & speed) is outstanding and helps to increase our local market share.					With the current SBA innovation performance (innovation strength & speed), we will probably lose market share in the near future.
The level of clinical evidence, clinical studies, medical publications is excellent and helps to increase our local market share.					With the current level of clinical evidence, studies and publications, we will probably lose market share in the near future.
We get all products with all necessary certificates (CE, ...). IFUs in local language. The SBA strongly supports us with local registration issues.					Most products that we get do not have all required certificates. IFUs are not available in our language. Registration issues need to be solved without central

Figure 13: Central Marketing Evaluation Survey

Chapter 4: Interview Results

In this section, the results of the interviews with the different local and central managers are presented. For each country, the interview responses are sorted according to the sub-research questions into the sections '*Situational and Organizational Influence Factors*', '*Effects of Decentralization and Delegation*' and '*Successful Activities and Tools to Improve Central Control*'. The sub-headers within these sections represent the relevant recurrent topics brought up by the respondents as they relate to the research questions. These topics were identified and labeled in the course of the text coding procedure. In the cross-case analysis tables (Annex 5) the topics and respective findings are summarized as they were brought up by the respondents concerning the different countries. This is to help with the comparison of the different country observations in the discussion chapter of this thesis, serving the improvement of the overall validity of the study.

4.1 Country 1: The Domestic Sales Force

4.1.1 Situational and Organizational Factors

The summarized and coded interview data for situational factors concerning country 1 can be found in Annex 3.1.1.

Specific case context

Country 1 is the European domestic country of SurgiSupplies. They have traditionally been involved in all SBUs. The local sales team is usually among the first teams to launch new products and the products are often developed in cooperation with local opinion leaders in the respective medical domain. This situation gives them a certain advantage over competitors from other countries and SurgiSupplies usually has higher market shares in their domestic country than in most other countries. The fact of being geographically and culturally close to the headquarters and the fact that products are often developed with surgeons from their own customer base,

typically allows the sales force to have more direct contact with different functions at the headquarters, such as Marketing and R&D than their colleagues from international subsidiaries of SurgiSupplies.

The sales and marketing team of SBU 1 in country 1 is providing implant systems for a highly specialized surgical field of indications. The sales organization in country 1 has the second largest sales volume in SBU 1 of all subsidiaries. Sales in this SBU grew 28% over the past 3 years, reaching a market share of 7%. Growth has slowed down in 2011 and the market is estimated to be stagnating (Figure14).

Sales Output Variables (Sales Force Effectiveness)							
Country	1	2	3	3	4	5	5
SBU	1	2	3a	3b	4	5a	5b
SBU country ranking	2	4	28	24	13	9	8
SBU total sales 2011 (1 000 Euros)	13.619	13.092	1.255	1.926	3.335	2.641	2.669
SBU growth 2011 (%) currency adjusted	3%	9%	-1%	12%	16%	-2%	-18%
3 years SBU growth (%) currency adjusted	28%	20%	9%	-6%	63%	1%	-3%
marketshare	7%	19%	1%	1%	6%	16%	14%
marketgrowth 2011	-1%	1%	2%	3%	7%	-6%	-4%

Figure 14: Sales Output Variables for the Studied Cases

Team 1 is an organization of 14 sales people and a marketing team of one marketing manager and two junior product managers, all of them supervised by Ian, their sales and marketing director. The team has been operating in this field for about 20 years rather successfully and they have reached a considerable market share. Over the past two years numerous competitors have launched innovative treatment concepts, while SurgiSupplies has been struggling with the development of a new state of the art implant system for this product group. The launch has been delayed several times and is now foreseen only in another two years. Consequently the team is having difficulties in maintain and expanding their customer-base.

Interviews were held on the headquarters side with the marketing head of SBU 1 (Max), a central business development manager for SBU 1 working for Max (Peter) as well as a central sales manager (Kevin). On the local sales

team side the divisional manager of SurgiSupplies in country 1 (Luke), the local sales manager (Ian) and the local marketing manager (Justin) responsible for SBU 1 were interviewed.

Staff turn-over and loyalty

The SBU 1 team-work in country 1 is considered to be exemplary, with all group members being capable of acting independently without permanent direct supervision. The local managers state that this positive situation has grown organically over the past decade, as there had been hardly any fluctuation in the team. This was different to other competitors who typically had high turn-over rates during the same period.

In some countries, specifically in emerging markets, SurgiSupplies is facing high fluctuation rates. This is particularly problematic, when sales teams are very small. When sales teams are very small, sometimes the entire team is exchanged in a short period of time and it can then be difficult to maintain control of the business.

Sales management practice

Sales management in the country 1 sales organization is largely based on very frequent direct personal communication. Sales management has tended to become even less formalized in the past years.

While the local managers believe that sales management should be entirely left to the local country organizations, as it depends largely on situational factors such as individual product portfolio, sales channels, legal restrictions etc., central managers see a potential for the diffusion of best practices collected from the various countries, e.g. for the provision of local value added services, throughout the global sales organization. However, local sales managers see the requirements for sales management to be very different from SBU to SBU, although they believe that reporting systems for sales figures and CRM systems could be standardized globally.

4.1.2 Effects of Decentralization and Delegation

The summarized and coded interview data for organizational factors concerning country 1 can be found in Annex 3.1.2.

Decentralization

Contrary to its mostly American competitors who expect their subsidiaries to execute central orders without challenging them too much, the SurgiSupplies subsidiaries are relatively independent in their strategic decision making and entrepreneurial thinking on the part of the local general managers is favored. While this leads to a strong financial orientation and a capability of adapting flexibly to changing local requirements, it also leads to difficulties in the implementation of global strategies, as they become the consolidated result of individual local decisions. The quick and consequent global roll out of products and solutions thus can become very challenging. Also, as subsidiaries seem to have a more short-term perspective as the headquarters, they sometimes pursue short-term opportunities to the detriment of necessary long-term investments. Additionally, central managers in SBU 1 are having difficulties of controlling global expenses for their field of activity, as budget control is a local responsibility. The central managers of SBU 1 are to some extent frustrated with their lack of control of the subsidiaries and would sometimes prefer to have a direct line organization. Particularly it is pointed out that in situations where the functional matrix organization at the headquarters limits the control of central sales and marketing managers, this is observed by the subsidiary managers and undermines the credibility of the central managers. The influence of central managers is also limited by the sheer number of local organizations. They say that they can really only follow the top-ten subsidiaries effectively. Another point is that, as soon as a local subsidiaries reach an acceptable overall financial result, the local managers have difficulty in challenging them on individual SBU aspects or encouraging them to increase their efforts.

While local managers are convinced that their independence concerning sales strategy should be maintained, they would like to see more central

guidance as to how to position and price products. Local managers seem to have some reservations concerning the central managers understanding of the real world market situation. An example was given of unfruitful, lengthy discussions in one SBU between local country 1 managers and central managers that were frustrating for both sides and no common understanding could be reached.

Delegation

On the other hand, empowerment on the subsidiary side often is limited to the level of the general manager. Depending on countries and individual company cultures at subsidiaries, these are sometimes organized in a very hierarchical way with little or no decision making power at lower levels. This can lead to additional difficulties for central managers in pursuing their strategies, as their local counterparts need to get the individual approval from their top managers even for minor decisions. However, professional maturity of staff members seems to be a generally accepted factor for delegation on all hierarchy levels. As the local power situation is often not well understood by central managers, they are sometimes surprised about activities they had agreed upon with their counterparts, later not being engaged or delayed. Some participants therefore pointed out the important learning experience for central sales and marketing managers of spending a certain time of their careers working in local subsidiaries in order to understand the different company cultures and dynamics of such smaller organizations.

The central managers of SBU 1 believe that SurgiSupplies has a more long-term orientation than its competitors and that there is generally speaking less pressure, more delegation of decision making and less sanctioning if financial results are unfavorable. Particularly, managers are pointing out common values of company staff members. This environment seems to lead to a better identification and loyalty of staff members to the company, on the other hand to a certain level of complacency of the employees. On the other hand, the company is perceived as being overly bureaucratic.

Influence of central managers on local strategies

Max, the head of central head of SBU 1, says that in some countries he feels like a solicitor trying to persuade local organizations even concerning very basic operational activities. Only exceptionally he sees the initiative of a local subsidiary to ask him for active conceptual support. Much like Peter, the business development manager for SBU 1, he states that in order to gain the subsidiaries' commitment he needs to provide certain services to them in order to raise their interest. While sales are their own local responsibility and they need to define their own goals and activities, he believes that the country organizations are often not aggressive enough in their efforts. Max says that subsidiaries even sometimes take advantage of the central managers, using their activities to provide services to customers without investing in learning how to provide these services themselves in the future. He speculates about the view of some local managers about himself: *'...if he helps me occasionally to win a customer that's good, and then he can leave again and please do not interfere with my business'* ^{4v}.

Max admits that while he is involved in formulating and communicating strategic development goals globally for the product group, he is not involved in the definition of annual objectives in the subsidiaries. He believes that these are defined and communicated to the countries on a divisional level. The local organizations break down the total sales objective to a product group level by themselves.

But even when business is generally weak, as was the case in the study period for the product group in case1, the divisional headquarters still have very limited possibilities to influence the local situation, as Max admits. On the one hand to him this is a capacity problem with too many countries to manage, on the other hand he believes that local goals are often set much too low and that it is difficult to move people out of their 'comfort zone'. *'A country like (country name), they grow nicely at 10-15%, they are practically untouchable. Although you plainly see they do it with one single new account ... and then you ask 'And where are 5 other accounts?' They simply do not*

exist. The countries are just too quickly satisfied and happy and you do not have a grip. And that's annoying.'^v Although he is generally very satisfied with the quality of the team in country 1, he is still unsatisfied with their acquisition of new customers. While he acknowledges that this task is more difficult at the moment than it was in the past, as the product group is facing a dry-spell concerning innovative product launches, he also finds that the team is using this as an excuse not to try to break into new accounts.

Local view point

Luke, the general divisional manager of SurgiSupplies in country 1, thinks that the new organization of central sales managers has not really been implemented in his country and that he does not feel any change in his organization. He believes that there is a redundancy between the regional head function and the central sales organization that needs to be stopped because the country managers now have 3 strategic contact persons, the regional head, the central sales manager and the central marketing heads, leading to even more difficulties in coordinating strategies.

Max similarly believes that the newly installed central sales department has not improved the general lack of empowerment of central managers, as he stated: *'Honestly I would have hoped for more. I hope that we have now found a better approach with the workshops. So far what central sales is doing has not been mirrored back to me as successful. ... Well I think that in the end, central sales, too, is a toothless tiger.'*^{vi}

Ian explains that the coordination and adaptation of the product related planning with central and local marketing and research and development takes place in regular meetings every two to three months. Concerning strategic goals with respect to specific product promotions he states that while he and his team do try to fulfill central expectations, in the end the market decides whether products are successful or not: *'...we centrally decide to make a product for which we take three years or longer. And then the market for the product is no longer there. Once we have it, I mean. The market decides. ... the more centrally we decide, the more abstract*

everything becomes sometimes.^{vii}

While Justin, the local marketing manager for SBU 1, believes the central marketing department to have an important influence on their local sales and marketing organization, he confirms that the final decision on what activities will actually be realized is with the local organization. He also independently confirms Ian's view that, ultimately, decisions are dictated by the market conditions. He adds another example for this, where some years ago the headquarters had tried to enforce a uniform world-wide pricing strategy for a specific implant system against the resistance of the local subsidiaries - the product did not sell in his country until the price was finally reduced.

Concerning the local sales strategy, Luke thinks that the situations in the countries, the sizes and forms of the organizations, are so different, that the SurgiSupplies decision to leave this in the responsibility of the countries should be maintained. He believes that tight guidelines by the headquarters would be counter-productive.

On the other hand in his opinion there should be strict guidelines concerning marketing related issues such as product and price positioning in the local competitive context, and respective commercial argumentation proposals. In this field, he believes, the central organization is not providing sufficient guidance and support, especially for the smaller country organizations.

Fighting over resources

The fact that the central managers from different divisions and SBUs are permanently courting the local decision makers, in order to obtain more of their local sales resources, further adds to the local position of strength as the local organizations can pick and choose the best central offering at any given time. The newly installed central sales department is trying to put in place procedures and planning systems in an attempt to limit the possibilities of the subsidiaries to change direction too quickly and too often. Overall, however, there seems to be a lack of empowerment of the central organization with respect to strategically guiding the subsidiaries and the fact of having

installed an additional central sales department had not significantly improved this situation 18 month after the launch of this initiative.

Importantly, the attitude of subsidiaries towards different SBUs seems to depend largely on the former career experiences of local top managers, but also to some extent on their personalities. If they have little knowledge about certain products and markets, they seemed to be less inclined to believe in their potential and engage in them in their countries. If they locally do not tend to delegate their decision making, they also seem to be less inclined to cooperate with central managers.

4.1.3 Activities and Tools to Improve Central Control

Central managers' credibility

The local SBU 1 team is particularly dissatisfied with the speed of innovation and the reliability of planning of product launches for this product line at SurgiSupplies, and it seems that this is to some extent undermining the credibility of central managers.

Another influence factor on the local standing of central managers seems to be the size of the local organization. Smaller organizations, that have less own resources and procedural know-how at their disposal, therefore typically are more dependent of the central activities. Larger organizations, who themselves dispose of a large marketing staff tend to be more self-sufficient and self-confident.

Local view point

Luke thinks that the central organization is sometimes very disconnected from the market reality in country 1, and therefore they do not always understand the needs of the local organization and do not respect their requests. A particularly negative example is SBU 4, where he believes that the central product strategy does not correspond to the needs of the country

1 market any longer and that the support from central is dissatisfactory. The local managers had clearly communicated their needs for more complete product portfolios and simpler OR procedures but the central marketing did not show a lot of understanding and support. This temporarily had led to strong frictions in the cooperation. Several meetings were organized to overcome these issues but the meetings ended with no result and frustrated participants on both sides.

Motivating and committing all local hierarchy levels

Peter believes that communicating with, committing and motivating the sales and marketing staff in the subsidiaries is the key to success. Interestingly, he talks about having and transmitting fun: *'First of all it is important to communicate well together. ...that you show them that you are committed yourself, that you are having fun and that you also transmit the fun ... to vitalize the process you also need to provide them with ideas, tell them 'why don't you try this' or 'we should do that again', say a workshop, to get people to sit down and discuss again, that they become aware that SurgiSupplies is here.'*^{xviii}

He makes it a big point that it is important to commit all hierarchy levels individually and separately. This however is difficult in some countries when the lowest hierarchy level, the sales people, do not speak English. In some countries he can communicate with the customers, the doctors, but not with the local sales persons.

Local view point

Justin points out that once the commitment of the subsidiary is gained, it is also important that the central organization is committed to support the activities that have been agreed upon, which is not necessarily always the case.

Local field support

Max states that, besides innovative products, his team can give support for

winning new customers, with key opinion leader related marketing tools such as training courses, events and reference hospitals. Although, with time, country organizations are expected to develop their own key opinion leaders, he acknowledges that, depending on the size of a local organization, their respective possibilities might be limited. But even with the central support, these tools can only work with ambitious goals and sufficient aggressiveness in reaching them within the country organization.

Mutual trust, respect, frequent and truthful communication

Local view point

Justin reports that he usually spends one entire day a week working at the central headquarters. Much like Peter, he believes that communication is key: *'...I have been fighting for it for years and I see in communication our biggest improvement potential for us'*^{ix} He believes that the biggest problem is that people in the organization do not dare to communicate openly about difficulties. His major example is that time-tables for development projects are always unrealistic. He believes that it is easier for people to live with a difficult truth than with an obvious illusion.

Luke generally believes that the quality of the cooperation between the central and the local organizations varies largely between different SBUs, depending on the acting people and on the mutual trust of the two organizations. He thinks that, of all teams, his team for SBU 1 has the best cooperation with central marketing. He believes that the fact that the local marketing manager for SBU 1 is spending one work-day per week at the central marketing office is contributing very much to this by means of informal networking. But the main reason he sees in the general openness of the individual central marketing managers of SBU 1 to listen to their local counterparts and to take them seriously and to work cooperatively on the solution of existing problems, to share relevant information. He points out that particularly in the past, this cooperation was not always good, a fact that he also blames on certain former employees on the local side.

Long-term personal relationships

All local and central participants directly involved in the product group of team 1 emphasized the trust and excellent cooperation with their counterparts. They attribute this to the fact that they have been working together for a long time, that they communicate frequently and that they frequently work together directly with the key customers.

Strategic meetings with multiple local and central hierarchy level involvement

The dispute between local and central managers concerning SBU 4 could finally only be resolved in a large strategy meeting with participation of SurgiSupplies executive board members and local SBU managers from countries 1, 3, 5 and one other country. In this meeting, the different participating local country organizations found that their local needs were relatively similar and that the central organization really had an outdated perception. These findings lead to substantial strategic changes in the global strategy of SBU 4.

Luke believes that this positive example should be institutionalized. He could imagine the division managers and SBU heads from the 5 leading countries of each SBU to meet once per year and that the respective research and development departments should also be invited. In these meetings the different country trends and needs should be matched between each other and with the central marketing and research and development strategy. He does not believe on the other hand that executive team members necessarily need to participate in such meetings.

Strategic sales development workshops

According to Max's initial presentation to the workshop members in country 1, the goals of these workshops were *'to boost the penetrating power of the product group by increasing market share considerably, pushing business with new customers and planning the business in focus markets'*. The milestones to achieve these goals were the preparation of a market

development plan, the establishment of a treatment concept approach for reference centers, a sales training program for new sales people, the clear targeting and monitoring of the acquisition of new customers and the review of distribution channels with regard to efficiency.

Max saw as positive results of this workshop, that the local team 1 had compiled their information concerning their potential customer base and had extensively analyzed and reflected on the data. As a result, concrete, account-based new customer development plans had been established. They involved specific niche product strategies and certain plans to attack major accounts, local sales and central marketing together. As these plans also involved certain investments in research and development, the plans were presented to and approved by the divisional board.

Local view point

Although he claimed that there had been nothing new to him in the strategic sales workshop with central marketing and sales, Ian admits that such activities forced him and his team to distance themselves from day-to-day business and to spend time on necessary strategic reflections.

Strategic planning and reporting systems

Kevin gives another example of how the central headquarters are trying to achieve sustainable development of new customers in the local subsidiaries. A tool for systematic customer potential analysis and targeting has been developed and Kevin tells the story of how he had presented it in a smaller country and how the local managers had willingly adopted it. In a regional meeting they had then later presented their results to other regional country managers and Kevin had the feeling that this peer to peer communication was a promising way of promoting this new method. Kevin also points out the importance of key performance indicators. A new system of key performance indicators has been introduced at SurgiSupplies to measure the level of strategic implementation within each country. Among those indicators are the number of new customers gained and the number of customers lost and the

number of local key opinion leaders developed in the country.

Max points out that only since the key performance indicator tool had been established by the newly created central sales department, he has systematic knowledge of the local planning commitment in the 5 year planning period and the momentary level of goal achievement per each subsidiary.

Peter states that in his SBU 1 the up-front investment in building a customer base is particularly high. He admits that he used to have power struggles with two other related SBUs over resources in certain countries in the past. He however believes that with the installation of the new investment planning system, they have started to coordinate with the other product group managers where it makes most sense for each group to be active.

Local view point

Concerning the newly installed central planning and reporting tools, Luke believes that to have a strategic checklist for following up on long-term strategic goals is generally a good idea. Also he is in favor of the new investment planning tool that should oblige subsidiaries to focus their activities. On the other hand he thinks that the actual implementation of decisions is more important than the documentation of plans, and that documentation in general should be kept to a minimum. In his opinion the weakness of the organization does not necessarily lie in the lack of analysis of the individual situation of subsidiaries, but in really reacting consequently to these situations. He suggests creating the positions for central market researchers who systematically visit the different countries in order to collect data about market needs and to provide this as input for central decision making. Generally he believes that the organization needs to develop a greater market proximity. Another example for this lack in market proximity he sees in the way that international customer complaints are treated. Luke is convinced that customer feed-back in the form of complaints could be a valuable source of ideas for future product developments, but today they are more seen as a nuisance.

He believes that in its initial phase the new central sales organization exaggerated the simultaneous launch of new measuring and reporting tools.

Justin is concerned about the fact that new methods such as the above mentioned customer potential analysis tool, might be reasonable for younger immature organizations but not suitable for large, mature organizations, as they have already established their own methods over time. He tries to explain this with the following picture: *'I place my form and fill it with sand, that is much, much easier than if I already have my sand castles and now press the form over them.'*^x

Geographical focus in order to deal with limited resources

Peter believes that discipline is required to focus on a certain number of countries and a necessity to disengage, by simply refusing to serve them, from other countries that have been 'allotted' to other SBUs. He thinks that this new discipline is benefitting his team by concentrating their activities, while, at the same time, the countries are more committed to truly investing in defined product groups in a sustainable way and to show an appropriate return on investment.

4.2. Country 2: Complex Solution Selling in International Markets

4.2.1 Situational and Organizational Factors

The summarized and coded interview data for situational factors concerning country 2 can be found in Annex 3.2.1.

Specific case context

Country 2 is a top 10 selling country for SurgiSupplies in Asia. They have traditionally been involved in all SBUs of SurgiSupplies. The subsidiary in country 2 has generally developed favorably in sales and profits over the past years for SBU 2, one of the core businesses of SurgiSupplies. However,

central marketing and sales managers were not satisfied with the development of one particular product line and they decided to introduce a new innovative solution selling approach to country 2, that had been very successful in other countries. The sales organization in country 2 has the fourth largest sales volume in the country ranking of SBU 2. Sales in this SBU grew 20% over the past 3 years, reaching a considerable market share of 19%. Growth rates continued to be satisfactory in 2011 at +9% while the market for SBU 2 was estimated to be stagnating (Figure 24).

As the central managers of SBU 2 are operating in a mature product market, as part of their global strategy they are trying to differentiate their offering by adding unique value added services to their products, essentially by proposing to the customer a 'total solution' project of running and servicing their entire stock of these devices. Specifically, this program is aimed at actively creating demand on the customer side instead of waiting for customers to signal demand and it is aimed at generating large contracts as opposed to small daily orders.

Interviews were held on the headquarters side with the marketing head of SBU 2 (Fred), the responsible Marketing Director for the Total Solution Selling program (Mike), a central business development manager (Susan) who had spent some time as an expatriate manager in country 2, and a central human resources manager (Joe). On the country 2 subsidiary side the general manager (Albert), the marketing manager (James) and the sales manager (Tom) for SBU 2, and the sales representative responsible for the Solution Selling Project (David) were interviewed.

Mike, one of the central marketing managers, sees his own objectives in transferring the 'total solution' selling know-how to the subsidiaries and in increasing sales with major hospital projects. He states that country 2 is the first country organization where it was so far impossible to launch the 'total solution' approach successfully. According to Mike, the local country 2 organization remains a mystery to the central headquarters even after 15 years of working together with them. Five years ago in an earlier attempt to

improve the situation, the 'total solution' approach was launched for the first time with a complete failure. Central managers had tried to establish a show case for the program in a local hospital, but the local sales and marketing team was overwhelmed by the approach and questioned its relevance and applicability in their local market.

In a more recent initiative, the headquarters managers had approached the general manager of this subsidiary, its SBU manager and the responsible field staff in an attempt to relaunch the 'total solution' approach. They organized a three and a half day strategic review meeting in order to establish the status quo situation with respect to the competency level in this SBU country organization. Against the resistance of the local organization they finally also managed to visit and discuss with a local customer. An action plan was identified to lay the ground for two 'total solution' trials in two new target hospitals and the action plan was carried out efficiently and precisely by the members of the local organization. After the trials had been accomplished, the responsible headquarters project manager, who was responsible for running the trial cases and transferring the related knowledge to the local sales and marketing team, was initially enthusiastic about the course of the project. The cooperation with the local colleagues and the customers was well organized and appreciated. However, after the first project phase was over, it led to only marginal increases in sales results. Even though the local team seemed to let themselves be convinced of the value of the project, no significant dynamics had been created on the part of the subsidiary. While some elementary weaknesses in the local operations could be identified and addressed, such as for example the lack of simple conversion lists of competitors' item number into SurgiSupplies item numbers, others remain unsolved. Mike names several specific obstacles at this particular subsidiary. One problem in this country is, that one of several product lines involved in the 'total solution' program has been exclusively contracted to a single nation-wide dealer, limiting the subsidiary's possibilities to use it as part of the 'total solution'. Also, the country 2 subsidiary cannot provide repair and maintenance service for other brands than SurgiSupplies products, an important feature in other countries. Mike is surprised by the

overall impression that the initiative for this project seem to lie solely with the headquarters. He has the feeling of a general lack of vision concerning this business model and a lack of transparency that he describes as 'black-box', meaning that he does not understand what the true beliefs and intentions of the local staff are.

Brand awareness and market share

Fred, another Marketing Manager at the headquarters, points out that while in SBU 2 SurgiSupplies is globally a leading player, in country 2 they are only a follower with low market shares. He says that in country 2 they were hoping to use the 'total solution' selling approach to differentiate the offering in order to improve market share. He however believes that SBU 2 does not have a very high priority in country 2 because their most important sales volumes historically lie with other SBUs and that therefore investments are focused on these other areas as well.

Central SBU 2 managers are confident to have a clear 5 year global strategy, they have communicated it to the subsidiaries by providing respective strategy documents and via the divisional board, and they have successfully rolled out the strategy in some major markets. Even after many specific efforts the strategy implementation in country 2 remains dissatisfactory and even attempts at having a locally customized product line did not show the expected results. The central managers, who clearly believe in a global product strategy and want to keep local adaptation to a minimum, believe that country 2's conservative culture is hindering the adaptation of the 'total solution' program. Other reasons given for the slow progress are small market shares and brand awareness, and weak end-customer relationships. Generally speaking the acceptance of the program seems to also depend on a certain level of market maturity. Communication problems are seen as being due to cultural distance and language problems. Different central managers, including an expatriate manager who was deployed to this aim, worked in parallel to convince the local organization of the 'total solution' project, but even the commitment of the general manager was not sufficient

to overcome resistance on the part of the organization. An impulse from the market place, the pronounced interest of some local dealers, helped to support a serious attempt at relaunching the project at some trial centers and to nominate two local sales people to be in charge.

Local view point

Albert, the general manager of the subsidiary in country 2, believes that the 'total solution' project is generally speaking successful, although the implementation is slow and they are struggling with the final stages of the program. In the two pilot centers there has been positive feed-back from the customers, although they did not substantially increase their purchases. In a third hospital that has been initiated by the local team since, the project has been very successful and a large project sales volume is likely to be closed shortly.

When he first heard about the 'total solution' approach it fascinated him, because it was a direct approach to hospitals as opposed to a passive way of selling via dealers and depending on their goodwill and their customer contacts, so he decided to implement it.

The marketing manager for SBU 2 in country 2, James, remembers the very first initiative for the 'total solution' selling program 5 years earlier, when central managers had performed a program in one hospital all by themselves without informing and training any of the local people. There was no reaction from that hospital to this effort.

David is a local sales person who has been assigned the job of carrying out the 'total solution' projects only a few years ago due to his experience with other large scale purchasing projects. He sees himself as the central person and customer interface for this activity in the country 2 organization and he was involved in all three of these customer projects so far. Although he acknowledges having learnt a lot from the two pilot projects, he is only satisfied with the last case, the one that he has selected himself as a target.

He believes that this one was successful because the customer had a confirmed purchasing need and he could communicate the scope and the different steps very clearly from the beginning and obtain all relevant information from them. The other two cases he sees as trial cases that helped him learn but did not turn into a success because the customers had no purchasing intention from the beginning. In other countries the solution selling approach had been successful in actively creating demand on the customer side without the initial intention to buy at the customer side, but David does not believe this to be possible in his country. The two first trial hospitals had been targeted by the distributors because they were major customers of them and they wanted to offer them some free services. He still thinks that it was useful for brand recognition purposes at these two customer sites. In the domestic market of SurgiSupplies the brand is already well established but not in country 2.

Albert believes that the headquarters treat subsidiaries and their members differently according to their contribution to world-wide profits. As country 2 is a high priced market he therefore believes to get more central attention than other subsidiary managers.

Other contextual difficulties

The local organization is under the impression that their market is very different than the domestic market of SurgiSupplies and that it needs different products. They therefore would like to be more involved in product development. Although in the mean time they seem to have understood the principles of the 'total solution' program, and they acknowledge its positive branding effects, they are not sure if this is totally applicable to their situation. They doubt that it can allow them to actively create demand with their customers and they are not convinced that the huge effort to pursue major purchasing projects is more efficient as focusing on day to day sales activities.

Central and local managers seem to have very different perceptions of the success of the program. While central managers believe it to be a clear

failure, local managers seem to be quite happy with it and believe that financial success will show mid-term or long-term. Also, while the central managers are still not sure about the true intentions of the local team, these seem to have accepted the 'total solution' program in the mean time.

4.2.2 Effects of Decentralization and Delegation

The summarized and coded interview data for organizational factors concerning country 2 can be found in Annex 3.2.2.

Decentralization

Both the central and local managers agree to the fact that decision making is largely in the hands of the local organization. This seems to be a difference to publicly traded, particularly American competitors, who are considered to be more driven by central authority and the necessity to continuously show short term profits. Unsurprisingly, the local general manager is very happy with this situation and believes this to be the right solution. The central managers seem to be more skeptical of the local decision making power, as they often observe a very passive attitude towards the adoption of centrally developed strategies and tactics, sometimes even showing a certain arrogance towards them. The local general manager admits having observed such attitudes in his own organization. Central employees seem to be much more empowered than their local counterparts, who seem to act more procedural and need to follow strict hierarchical decision making paths and seniority rules. Surprisingly however in spite of this hierarchical structure, the general manager in country 2 seemed to have initial difficulties in implementing his decision to launch the 'total solution' project.

Influence of central managers on local strategies

Mike says, and Fred independently describes it in a similar way, that the top management at HospiMed deliberately does not give any authority to the central marketing departments in the matrix organization with respect to their product offerings and lets the general managers of the country subsidiaries

decide what solutions they want to implement. He calls this 'survival of the best solutions'. He states that since the major product innovations in his particular product group of SBU 2 have ended 30 years ago, it is now an accepted idea at SurgiSupplies that the 'total solution' program is the only way to sustain leadership in this field.

Mike believes that his goal at the subsidiary level is generally better described as '*finding acceptance*' rather than '*gaining control*'. The key to his success in his opinion is to maintain a know-how lead versus the subsidiary and a certain self-confidence that goes along with it. While the 'total solution' selling project is relatively new, he admits to having needed time to build up the critical know-how his team now has. In the mean time, he believes to have enough experts in his team who can visit the countries and create successful real live show-cases that allow them to learn and at the same time to believe in the new methods. The successes they already had in the past and the fact that the central top management specifically supports this project, is giving them wide acceptance in the subsidiaries.

'In a way I believe this represents a paradigm change. Because, when I usually watch this, also in other SBUs, it is rather like we develop a product and say, these are the features, here's the brochure, now go sell it, it should work out all right....But it just doesn't! ... What we do is, we take the responsibility to say, dear colleague in the country, let's take each other by the hand and approach the customer and implement together what we have already proven to work in other countries.'^{xi}

Fighting over resources

On a global scale, the divisions and SBUs of HospiMed are in competition to each other concerning the subsidiaries attention. The only guidance that is provided from the headquarters is the 5 years strategy document. The fact that SBU 2 globally has been quite successful in the past and also finds a lot of attention at the subsidiaries is attributed by central managers to the company declaring it as a focus activity in the global strategy in 2005, and putting additional resources into its development ever since. In the past, this

SBU had been seen more as a cash cow and the profits were used to invest into other less mature areas. Another reason for the success of SBU 2 was the development of the 'total solution' program and its communication via the 5 years strategy document and the support of the divisional board. On the other hand, experience of the central managers shows that local managers tend to focus on certain SBUs mostly according to their own historical experiences.

Short-term risk-averse local strategies

Although this is against the global strategic intention, it seems to be a favorable strategy with diminished risk for local subsidiaries to grow many different businesses on a low market share level, rather than to focus on few areas and trying to become a significant player. Controversially, the local general manager in country 2 believes that his organization has been focusing on the most promising SBUs for his country successfully for years and that it is the central managers who are trying to push him into adding more product groups. This might well be an explanation as to why country 2 is pursuing the 'total solution' project half-heartedly, with too little investment in dedicated field sales people.

4.2.3 Activities and Tools to Improve Central Control

Central managers' credibility

Importantly, Mike points out that, even in the now very successful domestic sales organization (country 1) of SurgiSupplies, when they first started the service concept of the total solution program the local domestic sales team was very reluctant to accept the new concepts proposed by central marketing. He states that *'in the domestic market we were confronted with a very self-confident sales team, who let us understand: "we know how this works, we do not need any theoretical solutions from the ivory tower"- this was never explicitly said, but that was their behavior for years.'*^{xii}

Joe, a central human resources manager involved with subsidiaries, points

out that it is important on the headquarters' side to be reliable with keeping promised time-lines for the launch of new products in order to maintain credibility in the eyes of the subsidiary. And since this is not always the case at SurgiSupplies, he believes that the subsidiaries do not always take the proposed strategies of the headquarters too seriously. *'One can imagine the countries being a little laid back, saying, well, let's wait for the products to really arrive and then we can still think about what we are going to do.'*^{xiii}

Local view point

Albert admits that people in his organization have a strong self-confidence versus the headquarters that leads them to ignore or deny central ideas. They believe to have superior and more specific market knowledge that allows them to know what's best for their situation. In particular, as the subsidiary had a very solid growth development for many years, they have developed a mentality of being able to be successful on their own. Albert is trying to change this as he believes that a more open minded mentality would be beneficial in order to learn from benchmarking with other subsidiaries or competitors.

Concerning the 'total solution' program, David says that Susan always tells him how successful and important the active creation of customer demand by the 'total solution' selling is. However, his own experience shows this to be difficult in country 2's business environment. He says he needs to worry about his own (variable) income and therefore he prefers to look for hospitals that already have announced a major purchasing project, and then to use the 'total solution' program as a differentiating feature. Tom, David's Sales Manager, on the other hand is still uncertain as to what is more important, the daily business, meaning updating or enlarging existing stock with customers, or major purchasing projects. He acknowledges, though, that winning big projects could potentially enhance their so far small market presence more quickly than before.

James believes that the market in country 2 is very specific, a fact that they are trying to communicate to the managers at the headquarters, and

sometimes these are willing to provide customized products or solutions. Most of the time, however, his team is only presented with new products once they are fully developed. The local team then sometimes feels that the products are not well adapted to their market and need to find creative ways of selling them in spite of it.

Motivating and committing all local hierarchy levels

Fred believes it to be crucial before launching any kind of product or project in a subsidiary to have an opportunity to openly discuss and agree on common goals and approaches. Concerning the 'total solution' project he admits to having practically 'forced' the country 2 colleagues could not achieve the positive customer response that SurgiSupplies is used to with such projects in other markets. *'I think in the past we have simply forced the colleagues in country 2 into certain things (laughs), just to do what the headquarters want.'*^{xiv} Fred is not sure why this approach has not worked, if it was the method itself that was not successful, or the communication, or the understanding of the staff in country 2.

For Susan, the 'total solution' project really started with SurgiSupplies inviting representatives of the most important dealer organizations every year for a motivational trip to the headquarters facility and a sightseeing trip. At these occasions the 'total solution' project was regularly presented and after one of these meetings a pilot hospital for country 2 was agreed upon with one of the dealers.

John underlines that it is important to directly communicate with the local sales managers and agree on targets and activities, not only with their top managers, although it is important to involve those at the same time.

Local view point

Albert believes that the subsidiary and the headquarters share the same goals with respect to the project, but he also thinks that the central managers

might be dissatisfied with the slow progress. In the beginning, the local team did not really believe in the project and asked for modifications and specific adaptations for country 2, but now they seem to start to see opportunities. Albert believes that the 'total solution' project is a core competency of SurgiSupplies and therefore it is very important to implement it in his country. He thinks that once they can create one, even a smaller, success story, the motivation of the team will increase. Albert recalls that the 'total solution' program required a lot of preparatory work such as the setting up and translation of related software interfaces into country 2's language, which took a long period of time. When he presented the idea to the team, he felt they were '... *reluctant to implement*' it. The process of targeting and negotiating with the trial hospitals was also time-consuming so 2 years passed with no real progress. The only person who seemed interested in this topic was David, so they created a 'total solution' program team around him, but still there was no progress. The internal promotion of this project was completely unsuccessful. The picture only changed when there was an incentive journey of some dealers, who visited the headquarters and received information about the 'total solution' program there from the central managers. One of the dealers, who covers the area neighboring the subsidiaries main office, got interested and proposed two hospitals that were willing to participate in a trial run of the project. Albert thinks this was the real start of the project.

Local field support

Mike describes that together with his team they try to understand customer needs, develop solutions and transfer them to the different organizations. He thereby points out the importance of 'taking responsibility', meaning, instead of just handing them a package of tools and information, to actively develop initial customer activities in the field with the local sales teams. This however requires competence and self-confidence on the part of the headquarters managers and the permission of the local subsidiary of doing so. Mike is happy to point out that the arrogant attitude of the domestic sales team in country 1 has been declining over the years and he feels that he and his

team have earned their acceptance.

The know-how transfer concerning the 'total solution' concept in Susan's opinion was only really successful during joint field work. During the preparatory theoretical training program the colleagues did not seem to get very involved and did not have any relevant questions. Susan thinks that from the central point of view, the 'total solution' program is moving too slowly in country 2 while the local organization is under pressure, performing many activities that are new to them, starting from zero.

Mike says that the ultimate way of convincing subsidiaries of the 'total solution' selling approach is what he refers to as 'guerilla tactics'. For him this means initiating some low level activities in the country to slowly create success and thus gradually increase the acceptance of his projects. He gives an example where he convinced some lower level managers, who really did not believe that customers in their country would be interested in such a program, to perform some 'innocent free trial cases' with some customers, without alerting the local top managers to the fact. Once one or two successful 'lighthouses' then could be successfully established, it was easy to convince the top managers to invest in this method. On the other hand he admits that there is at the same time a disadvantage of this method, as he needs to invest a lot of capacity himself without being sure if the necessary investments in headcounts and resources will follow in the country subsidiary. Mike gives another example of 'guerilla tactics' where he managed to successfully penetrate one of the major subsidiaries of SurgiSupplies with his project, by slipping the idea to a local top manager at a casual moment. He had thus by-passed the responsible local Marketing manager, who until this moment had never shown any interest. *'... I received a telephone call the following Monday from the Marketing Manager who suddenly wanted to be informed about what we were doing ... This is what I mean by positive Guerilla-Marketing, I need to blaze my own trail. And it would be nice if there were some kind of official procedure where I would come and say 'these are the solutions, tell me if you want them' but it does not work that way, I haven't found that in our company.'*^{xv}

Long-term personal relationships

Joe in country 2 at SurgiSupplies does not really see the characteristics of a headquarters – subsidiary relationship, he thinks it is more like a manufacturer – distributor relationship. And like in a dealer relationship, it is important to build good human relationships between the people who interact on both sides and to create success stories together. He believes that working together on major purchasing projects and on the general customer approach in order to be more successful in such projects, is a good opportunity to create such success stories.

Communication of global strategic orientation

Fred thinks that SBU 2 has been reasonably successful for the past 5 to 6 years with continuous growth, but he believes the fact that SBU 2 has been officially declared to be part of the core businesses of SurgiSupplies in 2005, has contributed largely to this success. Since then he feels like ‘...*living in a relatively comfortable position*’.^{xvi} Prior to this moment, other SBUs had been the major focus and there had not been any resources invested in SBU 2. Other success factors to him were a branding campaign that connected SBU 2 to the SurgiSupplies brand and the development of the ‘total solution’ program. On the other hand he is still convinced that with more resources his SBU could be even more successful.

Fred attributes a lot of importance to the 5 years strategy document of SurgiSupplies. He believes that with this document they are really influencing the countries as it does not only contain sales and profit expectations for each SBU but also the products and strategies intended to achieve these numbers. As the ‘total solution’ project is an integral part of this 5 years strategy, he thinks that subsidiaries such as country 2 will also let themselves be guided in this direction.

Expatriate / compatriot managers

In some countries with a very large cultural distance to the domestic country

of SurgiSupplies, Mike thinks they will not be able to achieve motivational local success stories simply by doing short-term customer projects together with the local teams. In some of these countries he and his team do not understand the mentality of the customers, who react unpredictably and it is also very difficult to perform what he considers a straight-forward project with them. He rather believes that it will be necessary to send expatriate manager for at least 2 years to such countries in order to customize the approach and train local staff on it.

Mike has been told by a former colleague who has moved from a subsidiary of SurgiSupplies to a subsidiary of the competitor Olympus in the same country, that they staffed a much higher number of expatriate managers from the corporate office in Japan and therefore were linked much more closely to the central organization.

Susan, a native speaker of country 2's language usually living in the domestic country of SurgiSupplies, has spent 2 years working for the subsidiary in country 2. One of her main objectives during that period was the promotion of the 'total solution' program in the subsidiary. She believes that her presence was one of the main reasons why the project was eventually launched. While she thinks that there was a sincere wish on the local side to get active in this field, it was never given a top priority. She could imagine that it was mostly done in order to satisfy the headquarters and activities are done more or less aside of other more important priorities.

Strategic meetings with multiple local and central hierarchy level involvement

Local view point

In Albert's opinion the subsidiary board meetings, where board members from the central divisions meet with the subsidiary management, serves only to discuss the business results, but does not work well as a platform to reach strategic agreement.

Strategic planning and reporting systems

Local view point

Concerning the new strategic planning and resource allocation reports that have been established by the global sales team, Albert thinks that they are not really understood in his organization and seen more as benefitting the headquarters rather than the subsidiary organization. James thinks that some sort of tools might be useful, however he thought that two of the new reports were almost identical. He is not convinced that the reports are already ideal, however he admits to not having any better idea to design them. Tom appreciates some of the operative software tools of the 'total solution' program. Before it can be used more widely in the sales team, the country 2 adaptations need to be finalized and more sales staff needs to be trained.

Interestingly, David would like to get more feed-back from the central managers on his own performance and the way he is proceeding with customer activities, in particular for the latest 'total solution' project, where he is often acting alone. He also thinks that it would be important to take one of his customers to a successful show-case hospital in the domestic market to ultimately convince them. These customers then could serve as a testimonial in country 2.

4.3 Country 3: Combining Selling Teams for Different SBUs

4.3.1 Situational and Organizational Factors

The summarized and coded interview data for situational factors concerning country 3 can be found in Annex 3.3.1.

Specific case context

Country 3 is a top 10 selling country for SurgiSupplies in Europe. They have traditionally been involved in all SBUs of SurgiSupplies. For two of them, that we will call SBU 3a and 3b, despite attempting for many years, they failed to

establish a significant market presence and the comparably small sales number could not sustain the sales and marketing expenses, resulting in regular financial losses. SBU 3a is providing consumables and implants for two highly specialized surgical indications while SBU 3b, a core business activity of SurgiSupplies, provides mostly consumables for a very wide spectrum of different surgical indications. The sales organization in country 3 holds low country ranks for SBUs 3a (28) and 3b (24). Sales in SBU 3a grew slowly by only 9% over the past 3 years and declined by 1% in 2011. SBU 3b sales declined by 6% over a 3 year period but grew by 12% in 2011. Market shares are negligible for both SBUs at 1% and both markets are estimated to grow slowly at 2-3%. In order to redress the situation the local organization decided to combine the two selling teams to reduce cost and become more efficient in their market approach. We will call this the 'CombiTeam project'.

Interviews were held on the headquarters side with the marketing heads of SBU 3a (Adam) and 3b (Toni), and a product manager from SBU 3a (Marc). On the country 3 subsidiary side the general manager (George), a marketing and sales manager for multiple SBUs (Keith), and the business unit manager for the team that is responsible for SBUs 3a and 3b (Sean) were interviewed.

Toni, the SBU 3b marketing head says that they had unsuccessfully tried to launch their major product line for many years in country 3. With another smaller product line they had been successful in certain, but not in all regions and the overall activity had resulted in financial losses over many years. One of the reasons why they had not been successful were certain surgical techniques required for their product that were not accepted by country 3 physicians. The second reason was the fluctuation in the sales staff and in sales management. However Toni thinks that the main reason was the failure to systematically build up the business in a disciplined way.

After 5-6 unsuccessful years with the country sales organization Toni and his central marketing team had taken the initiative to name a central product manager who analyzed their market and healthcare environment for SBU 3b products. Toni believes that this was the initial trigger of the 'CombiTeam

project', that was later put in place to redress the unsatisfactory situation. They then identified geographical clusters in country 3 around a certain specific indication and surgical user group. Every cluster was defined by a number of hospitals and 2 sales reps who were supposed to work together and support and fill in for each other. In order to differentiate from the mass market, they identified a dedicated product range for this user group including 'door-opening products'. They also identified within the local organization people they thought capable of pursuing such an approach that Toni refers to as '*plan your work and work your plan*' where an original plan needs to be maintained over a period of time in spite of daily business and obstacles. Toni believes that this takes a very structured personality, particularly for the sales manager, and he also believed that not all of the team in country 3 had this kind of personality. They then presented this to the local general manager in country 3, George. George had agreed to the idea, however he had immediately pointed out that besides SBU 3b he also needed to find a solution for SBU 3a, so essentially he added those products to the cluster concept. Also, George identified the manager of SBU team 3a as the right person to lead this new concept. Toni summarizes that the objectives of the responsible sales and marketing director Keith was to combine the two SBUs to become profitable, successfully establish the cluster concept, multiply the cluster concept and then again separate the two SBUs. Toni does not believe that the (re)separation of the two SBUs in the end will be a problem, as every cluster is covered by two sales people who support and fill in for each other. Over time individual product preferences and skills can be identified and the people can be divided in separate teams. For the time being, Toni is happy with the way the project has evolved. He sees the critical success factors in developing a sufficient critical mass to sustain specialist sales people in very specialized markets, instead of general mass markets.

Adam, the central marketing head for SBU 3a recalls that in country 3 the team responsible for his products had not worked profitably for an extended period of time. The decision by the local country organization to combine product areas SBU 3a and 3b into one selling team, the 'CombiTeam' project, according to Adam led to a team configuration unique in the medical

device world. The main idea was to reduce cost with a shared sales team by reducing the overall headcount and thus achieving a positive financial result. The central organization for SBU 3b was involved only at a very late stage of the project when it had already become an accomplished fact. There had then been a productive meeting with the country 3 managers and the support for the project by the central SBU 3b managers was defined. Adam states: *'We approached this with little emotion as country 3 at the time did not give a positive contribution to our result. ... And I consider the risk that this will develop into a recipe of success for other countries as very low.'*^{xvii}

To him, although it represents a major market, country 3 is of little interest, as it has relatively low sales, no profits and no substantial growth perspective within the 2015 planning horizon. He names some European countries with much smaller market volumes where sales and profits are much higher, even with smaller selling teams.

Although Adam is not very enthusiastic about this project, he appreciates that by the end of year one, the losses had been stopped and additional investments in the selling structure could be made. Toni remembers that they were very happy about the fact that the country 3 team announced that they intended to work on certain indication specific product approaches, but they were unpleasantly surprised when they were confronted with the intention of combining SBU 3b products with other product lines that had nothing to do with them. Serving different selling points, customers who worked in the same hospital but did not even know each other. He also recalls that his colleague Adam from SBU 3a felt the same way. But lastly they had to accept that this was necessary to eliminate losses.

When asked why the result was negative in the first place, he identifies fluctuation in the sales team and in sales management as the main reason. Also he believes that country 3 is a difficult market for SBU 3a as all, essentially American, major competitors consider it a European key market and at the same time pricing is heavily regulated and the overall pricing level thus relatively low.

Marc, a central product manager for SBU 3a, states that the price deterioration for their products, forced by the local health system, was the main reason for the profitability problems in country 3. Also, a local competitor with significant market shares engaged in price dumping at the point that they were no longer competitive and they had to abandon certain product lines. His main critique of the local organization is that they overemphasized the pricing issue and were not very resourceful in identifying other ways to convince customers.

Concerning the CombiTeam project, Marc points out the difficulty for the new sales force of dealing with completely different disciplines that, aside of being located in the same hospital, have nothing else in common. So the sales reps have no understanding of the respective new customer group they need to cover and no prior relationships. *'You start over again. It's not congruent, it does not fit together. Even if you try to sugarcoat it, it does not really fit together.'*^{xviii} On the other hand, Marc understands the necessity of the program and he acknowledges that it was well planned and carried out by the local organization. Also he admits that they have never tried anything like this before and that the project deserves its chance.

Local view point

George, the general manager of the HospiMed subsidiary in country 3, considers himself to be the initiator of the CombiTeam project. Both the selling teams for SBU 3a and 3b were producing losses and they decided to reduce the resources by combining the two selling teams while keeping the same sales level. George thinks that the project was *'...well prepared, well communicated and well delivered.'* Before presenting it to the two central SBU Heads he had communicated it to and had obtained approval from the central senior vice president of sales as well as the CEO from SurgiSupplies. Then the implementation process was initiated *'...which meant that to communicate this within our organization and rewrite job descriptions and then basically defining, you know, the goals and objectives and to move on and to do it.'*

George points out that the central SBU heads initially had reservations about the program and it was agreed that the two SBUs in country 3 would be separated again, once both product groups had reached a critical mass in the new structure.

Sean, formerly manager of the SBU 3a team was given the opportunity to become the sales manager of the CombiTeam. Sean identifies the major inefficiencies of the former two sales teams with traveling substantial distances and covering large numbers of hospitals. He believed his objective to be to *'identify the best pathway and the best utilization of the products and the resource that we have, to make both business divisions operate more efficiently.'* His first goal was to establish a 5 year business plan in which he believes to have incorporated all relevant marketing strategies and activities provided by the central SBU managers for both product groups. They then also visited the central SBU managers to present them with this plan. After Sean and one of his colleagues had identified the products and the sales people they wanted in the new team, they informed the people concerned and asked their feed-back in order to gain their 'buy-in'. Sean believes that the first year has already proven the concept to work as sales for the two individual SBUs and thus also for the combined activity showed double-digit growth and the losses were stopped. In order to focus the sales team, less than 10 focus products were defined that had short selling cycles and that needed to show either high sales value or high profit margins. The sales reps were focused on few target hospitals that represented geographic clusters and could be visited efficiently with limited traveling time.

Keith is responsible for a number of SBUs in country 3 as a sales and marketing director. He sees himself as the initial driving force behind the project as the negative results in the teams for SBUs 3a and b had, in spite of both being small organizations, negatively affected his overall results in a significant way. His intention was to take cost down by taking a number of people out and to make the remaining sales people more efficient. Concerning the choice of products to sell, in addition to the selection criteria already named by Sean, Keith points out the similarity of required selling

skills achieved by focusing on implantable devices. *‘Despite the fact that they are from different SBUs, the selling process, i.e. an implantable device, to an implanting clinician is the same.’*

Keith believes that a key factor of success was to visit both central SBU heads individually twice over a period of 6 months and to ensure their ‘buy-in’ into the project. The central senior vice president of sales joined both first meetings to act as a moderator.

Staff turn-over and loyalty

Staff loyalty is seen as a key to long-term success, because the customers are looking for a stable environment concerning their medical device purchases with companies, and sales people they can trust in. In country 3 the sales forces, particularly for SBU 3a were so small that the departure of few sales people factually meant the end of the team. Central managers have no influence on the selection of local staff. Product ranges requiring higher skill levels from sales and marketing staff might lead to higher staff loyalty over the years and loyal staff members seem to manage to develop long-term relationships with the headquarters, reducing the number of conflict situations.

Sales management practice

Local managers think that while customer planning, sales call rotation and sales figure reporting can be standardized within the company, the format and content of activity reporting of the sales people should be left to the individual sales managers, as the product lines and situations are very different. Reassuring, motivating and educating the sales team concerning the reorganization during the CombiTeam project was seen as essential by local managers.

Delegation

More mature sales people can be allowed to work quite autonomously, being monitored mostly according to their sales figures. Some SBUs allow employing less mature sales people who then on the other hand need more guidance and supervision in their activities. This might be related to the contact with different purchasing decision makers for different SBUs, as implantable devices tend to be selected by surgeons while consumables are mostly chosen by hospital administrators and OR supervisors.

Brand awareness and market share

Different statements, particularly from local managers, suggest that the competitive strength of the products lines 3a and 3b from a point of view of relative market share, adaptation of the products and pricing is relatively weak in country 3. This leads to conflicts between the central managers, who are trying to push the local managers to sell their respective products and the local managers who need to select resource efficient products.

The high complexity of the product portfolio presents challenges on different hierarchy levels. Managers responsible for multiple SBUs might not understand every market segment in appropriate depth to be able to challenge the recommendations of their subordinate specialized managers. Sales people who are confronted with products from multiple and different indication areas, like in the CombiTeam project, might be overburdened by the amount of detailed knowledge necessary to sell them successfully. On the other hand, having too many specialized sales teams might not always allow to reach a critical team size. There seems to be a contradiction in the proclaimed willingness of the company to focus its efforts, and a reality of further developing products in ever more detailed segments and niches. Central managers are said to have in mind solely the success of their individual SBUs and not enough the welfare of the entire company. Both central SBU heads independently suggest to organize strategic workshops to work on the identification of cross-SBU portfolio synergies.

Cultural differences

The different national cultures were, with few exceptions, not pointed out as having an importance on the headquarters – subsidiary relationship, sometimes it was perceived that culture was used as a ‘dummy argument’ to justify certain local issues. The attitude towards certain SBUs seemed to more depend on the personal experiences and likings of the subsidiary managers. From a central SBU point of view the relationship seems to be largely defined by the business opportunity that an individual subsidiary represents for the field of the individual central managers.

4.3.2 Effects of Decentralization and Delegation

The summarized and coded interview data for organizational factors concerning country 3 can be found in Annex 3.3.2.

Decentralization

While SurgiSupplies’ competitors are believed to have very pronounced central control, allowing for world-wide product launches and marketing activities, central managers at SurgiSupplies have limited control over the subsidiaries and need to rely on persuasion with no possibility to apply pressure. This is attributed to the high degree of divisionalization of the company. There seems to be a particular difference with the American competitors as to the much higher pressure concerning the achievement of ambitious financial objectives set by the headquarters.

During the times with dissatisfactory sales and financial results for SBUs 3a and 3b in country 3 the relationships with the respective headquarters departments somewhat degraded, but suggestions from the headquarters for improvement always included even bigger investments.

In earlier days, when SurgiSupplies started to work with a larger number of subsidiaries, these subsidiaries supposedly were completely autonomous in

their local decisions and there was little support from the headquarters. Only with time the organization had built up knowledge about managing a large number of international subsidiaries.

Central strategies, such as the divisional guideline obliging all subsidiaries to invest and develop market shares in the core business SBU 3b, are enforced very inconsequently. SBU 3b for example is clearly not a focus area for country 3, as local managers believe that other SBUs are more resource efficient and promise a better return on investment here.

Some inconsequent behaviors are observed by central managers in certain subsidiaries, where non-performing sales people are kept on the teams instead of exchanging them. Interestingly both central SBU heads speak of a pronounced 'need for harmony' in this context that they had not observed in other companies. Adam does not believe that adding an additional central department such as the new central sales department will allow the SurgiSupplies management to change this.

Inconsistencies between the different divisions, such as different geographical breakdown of the sales regions seem to be hindering central control. Also, it is being suggested that the top managers who attend the local subsidiary surveillance boards need to be trained on the strategic planning and reporting tools in order to understand and support strategies pursued by central managers in lower hierarchy levels.

Local managers recognize the importance of central strategies and understand that local strategies must be derived from them. On the other hand they see a need for a lot of local autonomy and flexibility in order to adapt to the local situation.

While the matrix organization seems to work reasonably well within the functions of the headquarters, the definition of the interaction of people on an international level might not be sufficiently clear.

Another problem is the lacking central influence on enforcement of

appropriate local expense levels to ensure global financial performance. George, reversely points out that concerning local cost issues the headquarters frequently increase transfer prices for certain product groups substantially at too short notice. While he understands that this has no impact on the global consolidated corporate financial result, it creates problems with local tax authorities due to international profit reallocation and it also undermines the financial planning of the subsidiary.

Influence of central managers on local strategies

Central and local managers alike state that the headquarters do not get involved in and have no influence on the operational strategy of country 3. Central managers have less information about the market situation and cannot evaluate it as well as the local team. Both sides find that at present the central role essentially lies in providing products and product related training. One of the central managers would prefer to have direct disciplinary control over the SBU 3a activities in some of the larger countries while he considers the current set-up to be adequate for the smaller countries. Some countries pursue activities incompatible with the global SBU 3a strategy, such as hiring sales teams for non-focus product areas without informing the central headquarters, let alone consulting with them.

The central managers appreciate the fact that a central sales department has been created in order to gain more influence on the subsidiaries. On the other hand they believe that it has not yet really established itself. The division of responsibilities between this department, the central SBU departments and the local subsidiaries are still unclear. The planning and reporting systems installed by the new sales department are not well understood and enforced and these tools by themselves are seen to only create additional bureaucracy without resolving the underlying issues.

Adam says his sole influence on the countries is to provide good new products, good service and reasonable transfer pricing for the local subsidiaries to be successful. When asked if he would like to have more influence on the subsidiaries, he points out that in the domestic market the

sales force responsible for SBU 3a products is under his disciplinary control and that this has been very successful in the past. He could imagine having the same setup for a selection of other countries, but only the one's where a major direct sales force is already in place. In his opinion this would not hurt the general setup of the SurgiSupplies organization, as his customer group is very distinct and more or less exclusively relevant for the SBU 3a. For smaller or less developed countries he believes the grouping of sales responsibility for all SBUs to be efficient. As opposed to some other SBUs who are in his opinion trying to stay as independent as possible, Adam believes that it is very important to make use of all synergistic effects such as e.g. logistics and controlling etc.

In one example a country was investing in a non-focus product group without his knowledge and against the company strategy: *'We know the people in that country ..., but we have hardly any influence on the structure. All of a sudden there are three more people, because they want to get into (a specific product segment), that isn't even part of our strategy. It's not the point to check who comes at 8 or 9 o'clock in the morning, that's not our responsibility.'*^{xix}

The central sales department does not seem to play any role in country 3, aside the involvement of the senior vice president of sales during the initial negotiations concerning the CombiTeam project. The local managers do not seem to see the necessity for their involvement in country 3 and believe it is more important for smaller and emerging countries.

Concerning the central sales department, Adam appreciates this initiative to gain more central influence, on the other hand he does not believe that this can be *'achieved solely by additional paperwork'*. Toni believes that the new central sales department is still in its orientation phase and that the differentiation of central marketing activities and central sales activities is not yet optimal and that there are certain redundancies of activities and responsibilities. In particular he believes that the ultimate decision making power should stay with the local managers, as they have the best knowledge

of the local situation. Central sales should then have more of a external consulting function.

Much like George he could imagine a situation where central sales managers would spend an extended period of time in subsidiaries (he talks of several weeks) with problems of challenges, in order to set up road maps to redress such situations.

Marc, the central product manager for SBU 3a, says that he must respect the conclusions of country 3 concerning the CombiTeam project as he does not have any every day experience with the local situation and the customers. When asked about his involvement with the definition of local country strategies, he acknowledges that in many countries he is not involved at all.

Concerning the CombiTeam project, Toni very much appreciated that a very detailed development and activity plan had been formulated, that gave him and his colleagues the impression that the local team was sincere about the project. He has also observed that Sean, the responsible sales manager, has been consequently pursuing every point in the activity plan.

Local view point

Sean is convinced that the central product managers are well aware of and appreciate the newly developed country 3 product focus strategy. He underlines that everyone agrees that once a critical mass has been attained, that the two activities of SBU 3a and 3b need to be once again separated. Sean is proud of having developed excellent relationships with his central counterparts in the course of the CombiTeam project, as this gave him the opportunity to be in regular contact with them. He also says that he visits the SBU head offices quite regularly for international product meetings and trainings.

Keith who is Sean's manager agrees with this view of having openly and successfully communicated with the headquarters about the CombiTeam project. He points out the additional importance of permanent communication

with the HR department concerning change of job roles etc.

There however had been verbal and documented resistance to the project, mostly from the head office of SBU 3a, who initially were '*less than positive*' about it, while SBU 3b had '*much more positive enthusiasm.*'

On the other hand Keith says that no one from the headquarters gets personally involved in or influences the actual local planning and he thinks that this is the right way, as he considers being granted local implementation autonomy a motivational factor. He believes that the headquarters is well ensuring their role with strong R&D and a good product related training program.

George indicates that his organization has not had a lot of contact with the new central sales department from the headquarters. He believes that his managers are so well connected with the central SBU marketing organizations, that they do not need any additional support or liaison person. Also he speculates that this new department might not have enough capacities to really work with all individual countries and might focus on individual problem situations.

Keith agrees with George that the impact of the Central Sales Department in country 3 has been minimal, and that it might not even be useful at all in developed countries with developed SurgiSupplies subsidiaries like the one in country 3, as they are already well connected to central activities. '*We consider ourselves to be totally integrated to the activities of SurgiSupplies headquarters, as I mentioned, both in terms of training, and reporting etc.*' He thinks such central sales activities are more necessary in new subsidiaries in emerging markets.

Short term risk-averse local strategies

Local general managers might be motivated to establish and maintain as many SBUs and product groups as possible in their respective countries in order to diversify the financial risk and also to establish good relationships

with as many as possible central managers from different departments to support them personally in their career. Central managers believe that the local product strategies are very short-lived and depend on short-term business opportunities.

Competition between SBUs

There seems to be a consensus that there are not enough resources to invest in all SBUs in an optimal way and that struggles and conflicts over the allocation of the scarce resources are inherent to the divisionalized matrix organization.

4.3.3 Activities and Tools to Improve Central Control

Motivating and committing all local hierarchy levels

George remembers that the SBU heads initially had reservations concerning the CombiTeam project, that sales people would get overwhelmed and confused by handling products from the two different SBUs. Also they were worrying that the organization would *'lose the focus and that the whole business gets more and more diluted without a clear drive and strategy.'* He therefore believes that it was crucial to visit them and to convince them about the necessity and the professional roll out of the project and then to keep them updated regularly on the implementation in review meetings. On the other hand to keep the door open to separate the two activities again in the future.

Local field support

Sean thinks that one of the most important tasks for him in the course of the CombiTeam project was the development of a comprehensive training plan for the sales force to understand their products and the related medical indications. The central product managers were involved in designing but also in delivering the training to the local sales force in country 3. Sean

believes that the central product managers have a good appreciation and understanding of the different individual country situations and they take the local suggestions well into consideration. His impression is that this is true not only for country 3 but also for many other country organizations. On the other hand he thinks that the CombiTeam project might have helped him to develop a privileged relationship.

Long-term personal relationships

For the communication with the central headquarters, George thinks that long-term personal relationships between the local sales and marketing managers and their central marketing counterparts are essential. He believes that this is very well the case in his organization and that there is an 'extensive exchange'. There is only one SBU where he believes the relationships are not that good, as the person traditionally responsible had taken other responsibilities and another person had had a long sick leave, and so the relationship had degraded with central marketing. He also thinks that the central involvement, e.g. frequency of visits to country 3 varies from SBU to SBU. He believes that central managers need to be well informed about resources and knowledge levels available in the subsidiaries.

Keith has the impression that his team has very good relationships and efficient cooperation with the divisional headquarters. He believes that this is due to the long term experience of the various product and sales managers on the local as well as on the central side and the mutual trust that they have developed over the years. He believes that the same is true for the customers, the implanting surgeons. *'We want people implanting products from us for rather 25 years. The whole of their implanting career, you know, we want them to be implanting products from us, so in summary I think it works well because we have long term trust.'*

Keith also believes that his organization has a similar culture as the headquarters and that this is cultivated in a positive way for example in the annual international division meeting.

Strategic meetings with multiple local and central hierarchy level involvement

Local view point

As mentioned above, George is convinced that regular institutionalized meetings of the divisional board members and the managing directors of the leading countries would be beneficial as the board members are not always aware of recurrent operational problems resulting from corporate activities. George also believes that the new central sales department could have an important role in communicating such organizational issues, that are not part of the daily business to the divisional boards. *'Well to understand, and at least to establish a kind of thinking process that, before making a decision to really think what implication a certain decision might have for a different legal entity.'*

George regrets that the practice of having regular meetings between the SurgiSupplies executive board and the most important subsidiary managers or regional heads had been abandoned some years ago. *'At that time I think there was a very close exchange on top management level. Now, I think we lost that a little-bit when we decided to go into annual meetings on a bigger scale. Because there you have a hundred or a hundred and fifty people sitting in a room and you do not have this, let's say, strategic discussions and opportunities to discuss strategic topics.'*

George is very eager to point out that the top managers of important subsidiaries should also be involved in the creation of global strategy and that regular meetings with the central divisional top managers are essential. He gives the positive example of a recent meeting between central managers from R&D, Marketing, Sales as well as executive managers and important country managers, who sat together to define the future strategy for one specific SBU together. He points out that this kind of exchange is much more organized and frequent in other divisions of HospiMed, in comparison to SurgiSupplies.

Strategic sales development workshops

Marc and the central SBU 3a team are presently trying to develop explicit country strategies for a very promising innovation with the potential of becoming a 'block-buster'. The aim is to improve the cooperation between the SBU central head office and the focused subsidiaries concerning the promotional activities for this product. They are organizing individual country meetings including all relevant local and central sales and marketing managers. They have also addressed a questionnaire to these subsidiaries to determine the individual country situation, what has already been achieved and what are the mid-term plans of the subsidiary concerning the development of this particular product group.

Marc has had very different experiences with this approach. With two country organizations, including the domestic sales team, they had very creative discussions and came up with a sales commitment, an investment plan, and an agreement about activities and who would contribute which resources. The situation with this new product is very different concerning regulatory approvals, reimbursements, but also concerning the local presence of SurgiSupplies in terms of sales and marketing staff and market shares. Also the awareness level of the new product is very different from country to country. While some subsidiaries have run extensive Marketing campaigns and the product is already in routine use, others have not even started basic Marketing activities. In some countries Marc thinks the organization and the branding of HospiMed and SurgiSupplies are just too weak to force a major innovation into the market on a large scale.

Still, Marc and his colleagues were able to initiate certain activities with these country meetings and follow-up meetings are now being scheduled. Generally speaking, Marc believes that the central team for SBU 3b is understaffed and that they therefore cannot support even the top 12 to 15 focus countries sufficiently with such an ambitious project. He points out that every meeting generates additional activities and workload, not only in the local subsidiary but also in the main office, in addition to the existing daily

business. Marc therefore thinks they would need additional people to cover such strategic cooperation with the country organizations.

Expatriate / compatriot managers

George has observed that, in contrast to other HospiMed divisions, interesting international positions at the SurgiSupplies headquarters are not announced to the international subsidiaries. He points out that country 3 has an identified pool of talented young managers who might be qualified and interested in such positions. Another HospiMed division, driven by their senior vice president of Marketing and Sales, emphasizes expatriate experience much more than SurgiSupplies and a large portion of their international managers have at least 2 or 3 years of such experience. A number of managers from this division had worked in the country 3 subsidiary in local Marketing and Sales positions for 2 years and then went back to the headquarters where they were assigned international responsibility. This experience has allowed all of them to relate much better to local organizations and their issues. With SurgiSupplies such exchange programs are not institutionalized but can happen only with particular initiatives of individuals or their managers. Also, George believes that SurgiSupplies does not value the expatriate experience sufficiently. He gives the example of one young employee from the SurgiSupplies central headquarters, who spent several years at the country 3 subsidiary, where he substantially widened his perspective. When he went back he returned to his old job at a relatively low hierarchy level, where he could not make use of the additional experience he had gained. George believes this to be demotivating and puts people at risk of leaving the company.

George questions if the principle of having a permanent overall central sales manager is the right approach at all, as even highly qualified and motivated people *'cannot be everywhere at the same time'*. Rather he suggests highly specialized experts who could be expatriated for 3 to 6 months to countries with crisis situations or special projects, like for example the CombiTeam project. *'But, I think maybe, maybe the word global sales might be not the*

correct way. I think what maybe the group needs are people who can be sent into certain countries as maybe interim managers and help a local organization to get out of a strategic issue or an operational issue they have. And prepare them, the organization so a local person can take over. So, maybe 'Global Sales' is not the right word I think, if somebody would come here and talk to our sales managers, (like a) 'Business Angel' He points out that such kinds of positions are common at competitors such as Johnson & Johnson and Smith & Nephew.

Communication of global strategic orientation

Local view point

Concerning the matrix organization, Keith is happy about how the organizational chart is updated and sent to all responsible people regularly. Much like George, he believes that the local product managers are well connected and work closely together with their corresponding SBU headquarters. He also appreciates the supporting information and reporting systems from headquarters that he considered very useful.

Strategic planning and reporting systems

Adam generally supports the creation of the central sales department. However he warns that additional reporting tools will not have any impact if they are not accepted and enforced.

Toni generally speaking appreciates the new reporting tools. On the other hand he shares George's skepticism as he thinks that the success of reporting tools is the adoption in the organization. *'Well, when (the resource allocation plan) and (the performance indicators) point in a certain direction, but in the local surveillance boards there are people who do not know these things, or would like to go in a different direction, then this will not work. Because the local responsible manager needs to present the bill to his board. That's the bottom line. And then all (resource allocation plans) can be on the table, and he presents himself to the board, and they say the results are*

dissatisfactory, do something, then any (resource allocation plan) will be abandoned.^{xx}

Local view point

George, who is the general manager of the country 3 subsidiary, at the same time ensures a regional head function for a number of countries in the same region. George essentially appreciates certain tools such as the resource allocation plan and the key performance indicator report when he has his review meetings with the other countries in his region as a regional head. These tools then give him an easy overview about the status of the different SBUs in the various countries as a basis of discussion. On the other hand, as a general manager for country 3, he believes the tools to have no added value, as the level of detail is low and the information is already available in other reports, such as the local marketing plans. He points out that the marketing plans for country 3 are very detailed and professional and include all the performance indicators, such as new target accounts, new key opinion leaders etc., that the reporting tools from central are asking for, essentially doubling the administrative effort. He admits that these new reporting systems are 'not greatly adapted' in his organization. George believes that many of the reports that are demanded by the headquarters are filed away without being analyzed and thus are probably not really needed, or central people do not have the capacity to read reports coming in from dozens of subsidiaries.

'...I'm very protective of our people here, that there are not too many reports they have to fill out, send back and they are filed, ... just to tick that country 3 has responded.'

Keith, the SurgiSupplies division manager for country 3, is less critical of the new reports, which he finds rather easy to use and useful. He believes that more complex information systems in today's world are normal and useful. He also thinks that certain standard reporting tools, such as the CRM system should be standardized in the company. He thinks that local CRM system they are using at present is very poor and is not well adopted in the country 3

subsidiary, so he is looking forward to a new centralized version. He also points out in that context that some of the important implant customers and key opinion leaders have personal contact and relationships with central marketing managers, so the internationalization of customer information is important to him. He is quick to point out that the CRM system should not become a 'policing' instrument to control the activities of the sales people. He believes that the culture in country 2 is to give people objectives and let them accomplish them independently, instead of monitoring them closely. He acknowledges that this may be different in other countries.

Geographical focus in order to deal with limited resources

As there had only been funds available for a team of one manager and 4 sales people, in Toni's opinion it would have been necessary to focus on small geographical areas instead of trying to cover all of country 3. *'You obviously need to build geographic and temporal focal points. And where you go you need to have at least the same power as competition, otherwise it will get difficult. ...We went there, we had initial successes in the region of the main office. That lead to customer requests from other parts of the country and then we went anywhere calls came from instead of saying, no, we are sorry, we cannot cover this right now, we have so much to do here. To remain concentrated and disciplined within one cluster, to make this cluster successful and then to multiply this model. Yes, but that is somewhat always the problem that we also have with other subsidiaries, that they let themselves be guided by daily business and the exploitation of any business opportunities'*^{xxi}

4.4 Country 4: Creating a Sales Organization in an Emerging Market

4.4.1 Situational and Organizational Factors

The summarized and coded interview data for situational factors concerning country 4 can be found in Annex 3.4.1.

Specific case context

In country 4 SurgiSupplies is operating a top 15 selling subsidiary. This country is considered an emerging European market. The subsidiary has traditionally been involved in all SBUs of SurgiSupplies. The market for SBU 4 is growing quickly and SBU 4 is a declared focus business area for the country 4 subsidiary. Although sales are developing favorably, the headquarters managers are under the impression that sales growth is at the best keeping up with the extreme market growth and that SurgiSupplies market share in SBU 4 in country 4 are stagnating at an average level for SurgiSupplies. The sales organization in country 4 holds rank number 13 in the SBU 4 country ranking. Sales in this SBU grew substantially at 63% over the past 3 years and continued to grow (+18%) in 2011. The market share was estimated to be 6% and the market growth was assumed to be about 7%.

Interviews were held on the headquarters side with the marketing head of SBU 4 (Oliver), a business development manager from SBU 4 working under Oliver (Thomas), the central sales director responsible for country 4 at the headquarters (Daniel) and the central sales manager working under Daniel with country 4 (Harry). On the country 4 subsidiary side only the responsible SurgiSupplies divisional manager (William) could be interviewed.

Thomas has worked with country 4 for SurgiSupplies since 1996. As the market is growing rapidly and the formerly strong local manufacturers are diminishing, he is somewhat dissatisfied with the fact that SurgiSupplies market shares are stagnating. He is convinced that this is due to a general lack in local marketing and sales staff. As the country 4 economy and also its health sector is growing rapidly there is a strong competition for qualified employees and the company is having a hard time recruiting, but also the local management is reluctant to allocate financial resources to SBU 4 and Thomas thinks that other divisions and SBU have much more marketing staff. Although Thomas considers the personal cooperation with all his counterparts including the local division manager as good, the work

relationship suffers from lacking capacities of the local staff.

Thomas also thinks that the expectations of the customers in country 4 hospitals concerning service have been increasing and will in the future reach the same level as in traditional industrialized countries. He is convinced that the company needs to invest more money in building up and educating professional dealer structures and also supplying them with a sufficient amount of surgical sets up front to be able to develop their business.

Thomas believes it to be crucial to establish some knowledgeable dealers in the main metropolitan areas of country 4. To him this is particularly important as all SBU 4 business is channeled via dealers and the demand is very much concentrated on few extremely large hospitals in these areas. He believes the local staff to agree with his view, as the local division manager has set a highly ambitious sales target for the 2015 planning period. Although corrective action plans have been agreed by all persons concerned, the situation could not be changed over a longer period of time.

Oliver thinks that country 4 is one of the few countries with a true intention to focus their activities on SBU 4. On the other hand he believes that the local team is too small to achieve the very ambitious aspired growth rates, although the product portfolio in his opinion would allow them to. So he assumes that, even though the market growth rate is very high, they will not reach their ambitious goals, unless the country managers become aware and a major change is initiated. He clearly sees it as the objective of the responsible central sales manager to ensure that a professional sales and logistics infrastructure is created. Oliver describes this market as volatile and depending on the contacts of dealers to political decision makers. Central marketing is very satisfied with the cooperation with the local team and even has some good personal contacts to local customers and opinion leaders. He also thinks that a success factor is the cultural closeness of the country 4 physicians to their fellows in the domestic country of SurgiSupplies, although the American competitors in SBU 4 have long established themselves there.

Daniel believes that there is little continuity and sustainability in doing business in country 4, in particular since hospital directors change when politicians change. He thinks that the only way to win is to convince all customers that SurgiSupplies has superior products with marketing activities and to deliver service support to the end-user irrespective of the sales channel that invoices the product. *'In the end it needs to be that way, that the hospital says, yes, I want SurgiSupplies and I want to have it delivered by you, my dealer.'* ^{xxii}

Some product segments are still underdeveloped as country 4 hospital staff is still using outdated procedures and technologies. Daniel sees the opportunity for SurgiSupplies to promote international standards and to train hospital staff accordingly.

The country is run in a very centralistic way, where government has a major say where investments will be allocated to, sometimes leading to paradox situations, e.g. with high-class ward rooms but ill-equipped and outdated ORs. However, health-care spending now has a high priority, leading to a favorable development of this sector.

William believes that there has not been enough progress made with SBU 4 in country 4 in the past years due to a lack of general vision and due to certain problems with staff members in the management team.

Market life-cycle

For SBU 4 a small number of global companies are dominating the world-market with varying market shares in the different countries. The products require a high on site service level and a high up-front investment of the supplier to start business with new customers. Markets are differentiated mostly according to their growth rates that differ largely according to the market life-cycle situation. Besides growth-rates, emerging markets 4 show untypical characteristics, such as extremely high and volatile individual product consumption of individual customers, higher stocking requirements to compensate for inadequacies in the local logistic infrastructure and a

comparably low price level. As these extreme specific requirements can breach the limits of typical central performance indicators, this can lead to conflicts with the central supply chain function.

The dealers in country 4, while having excellent relationships to the local customers and decision makers, are lacking competence in servicing and consulting customers concerning medical devices. Specific difficulties of SurgiSupplies in country 4 lie in the missing clear product specialization and lack of empowerment of local sales and marketing staff and in a high staff fluctuation, but also in an unusually high customer fluctuation typical for the country 4 market. Also there seems to be a gap concerning the professionalism of procedures between the headquarters and the country 4 subsidiary. There are language barriers for central managers as the English language is not sufficiently spread throughout country 4.

Staff turn-over and loyalty

The subsidiary in country 4 is having difficulty to find adequate staff for SBU 4. One of the reasons is that HospiMed serves different market segments that have different sectoral salary averages for equivalent marketing and sales positions and the company has difficulty in paying people differently for equivalent positions in different divisions or SBUs. SBU 4 typically has a relatively high salary level and therefore top performers can find often find higher salaries with other companies.

Other contextual difficulties

A way to overcome some of the logistic problems would be to have a local manufacturing site, maybe as a joint venture with a local company, an idea that has been discussed at SurgiSupplies for many years but without any tangible results so far. This would also allow some local key opinion leaders in the development and promotion of the products which could further ameliorate the overall product acceptance in country 4. As Thomas knows the top 10 key opinion leaders in country 4 personally, he is confident that he could find cooperation partners.

4.4.2 Effects of Decentralization and Delegation

The summarized and coded interview data for organizational factors concerning country 4 can be found in Annex 3.4.2

Decentralization

In order to improve central control and alignment with the subsidiaries, a planning process for resource allocation had been established and applied for the first time. But even with a lengthy planning process, and discussions involving all hierarchy levels, it was not possible to agree between central and local managers on how investment budgets should be allocated and the subsidiary was once again given a certain investment budget and overall financial objectives and the freedom to use the resources according to their own judgment. Interestingly, the local division manager still believed such a procedure to be good and necessary even after the dissatisfactory first time experience.

For central marketing managers on the other hand these investment or disinvestment decisions seem to be crucial for the success of their product lines in any given country. And the way these decisions are taken locally often remains ominous to them. The local managers sometimes seem to be too optimistic concerning the necessary time to reach return on investment. Investments therefore might be abandoned too quickly, if sales results do not show fast enough. There are high expectations towards the new central sales department to create more transparency and consistency concerning these issues. Also, this department is expected to challenge the structure and performance of the individual country organizations. It seems to be difficult to judge the actual contribution to these objectives that this department has achieved so far.

Influence of central managers on local strategies

The former central sales manager responsible for country 4 was disillusioned

about his and the headquarters' possibilities to influence the subsidiary strategy. He also believes that this company is still very much marked by the culture and processes from the times when it was an independent distributor. He could not make out a real strategic focus, only quick reaction to short-term business opportunities. As this subsidiary is quite successful, he is now unsure if in emerging high growth markets a very well defined product focus strategy even makes sense. The local division manager was too busy with day to day work to get involved in the kind of strategic discussions and decisions the central manager was trying to achieve and this ultimately resulted in conflict. The fact of being a fellow country-man for the local sales manager in this case turned out to be ambiguous. While it was an advantage for communication, it might have turned out to bring a deficit in respect, authority and trust. There seems to be a general perception from the central managers that the local managers receive central managers respectfully for meetings in their country, but not to worry too much about the results of the discussions afterwards.

Oliver expects of the global sales department to particularly focus on and influence such countries that are considered historically successful SBU 4 subsidiaries, whose success is now slowing down. Sometimes local disinvestment decisions are not transparent to him and he believes that it is the responsibility of the central sales department to deal with such issues and to create more transparency. In the end he believes lacking local growth expectations often to be self-initiated by the subsidiaries and that the central sales department needs to address this.

'I believe that the true support from international sales can only lie in accompanying, surveying; accept or also criticize a decision in favor or against an SBU or an investment. That would mean for the local gentlemen, that they would need to lay open their cards, that this is checked with respect to the strategic guidelines and it then needs to be accepted by international sales, because only they are capable of judging on all 7 SBUs, whereas, say someone from SBU 4 or 5 can only lament about things but does not have any possibility to really influence anything.' ^{xxiii}

On the other hand, Oliver would wish for the central sales department to critically question the operative sales structure and procedures in the subsidiaries, but he considers this to be difficult, given the high local autonomy. *‘ ... this is really the expertise that needs to come from sales, ,how are you structured?, what is your cost structure?’, or sometimes ,how do you distribute your expenses?’, also in this area there are sometimes erratic developments. And in this I really expect global sales to be a kind of sparring partner for the local organization. But I believe this to be difficult in view of the high autonomy that they have locally and in the end it really depends on the acceptance and the diplomatic skills of global sales to really be active there. ’Do you have a proper internal execution? Do you have a customer service that truly deserves the name?’^{xxxiv}*

Generally speaking he also sees the role of central sales in establishing, measuring and following up on performance indicators, such as how many surgical sets are provided per customer and how many implants are sold per each set.

In some countries he sees a positive development in the past years, but he could not say if this has been initiated by central sales or not, in any case he could observe that they sometimes were involved.

Local view point

William widely appreciates the fact that a central sales department has been created. He believes this to be normal and necessary for all international companies. On the other hand he thinks that this department is lacking clearly defined goals and organizational power to achieve them. But he is optimistic that this will develop with time as the relevance of domestic as opposed to international sales is declining.’

William on the other hand feels that central managers do not sufficiently consider his and country 4’s specific requirements and that all strategies are largely influenced by the requirements of SurgiSupplies domestic market requirements. Generally speaking central managers seem to have difficulty

understanding the culture in country 4, particularly with respect to communication and decision making. Also the company culture of the country 4 subsidiary seems to be influenced more by other HospiMed divisions than SurgiSupplies' who historically got involved later with this company.

4.4.3 Activities and Tools to Improve Central Control

Central managers' credibility and acceptance

Harry has recently worked as a central sales manager for country 4 for a period of 9 months. As a native of this country he speaks its language even though he has been living abroad for many years. He considered this a big advantage in his dealings with the local staff. His understanding of this job was to define strategies and objectives together with the local division manager and to help implement these plans, visiting the subsidiary about twice every months for at least one day. During these visits he had meetings with the local division manager and the local marketing managers. He recalls that these meetings were difficult, as the division manager always was following daily business at the same time, with frequent interruptions by phone calls etc. The cooperation started well until he had a confrontation with the local division manager over a report that in spite of many reminders, William always avoided doing. When Harry got pushy about this report, because his superiors at the headquarter demanded it from him, William got upset and as of then the situation was more difficult, not only with William but also with the rest of the team. Retrospectively Harry believes that he took this report too seriously and he could have avoided this situation by filling it out himself in a superficial way.

Expatriate / compatriot managers

Daniel says that Harry who, recently had the position of central sales manager for country 4 for a short period of time, met a lot of resistance by the local organization as he tried to initiate changes and tried to personally

generate business opportunities with customers. Harry is originally from country 4 but has been living abroad for many years.

'...he believed to virtually be the re-inventor of the bicycle in country 4. And that will earn him confrontation, that is clear. Because they do not really play with open cards and they also evidently say, we do not need a former compatriot to teach us arithmetics, or selling, or the ABCs. While from his approach Harry saw things correctly, you cannot change all that from one day to another.'^{xxv}

Also, Daniel speculates that country 4 staff felt spied upon, as unlike most other people from central, Harry understood their native language.

Thomas thinks that the fact that Harry is a fellow-countryman of the country 4 staff in the end was rather to his disadvantage. He thinks that it did not allow him to be seen as an outside authority. *'He is really one of us but now he thinks he knows everything better and tells us what to do.'*^{xxvi}

In Daniel's experience, central staff regardless of their position or hierarchy, are always welcome, but when they have left, the local managers do what they want anyway. The only way to deal with this is to document all decisions and to constantly remind and question the implementation. In his opinion, local staff even expects this kind of behavior from central managers.

Harry also points out that hardly any of the local sales and marketing people ever comes to the headquarters, so that most people do not even know and have little contact with the mother company. In his opinion their only expectation of the headquarters is to deliver products in a timely manner. Visits from central managers and their coaching or consulting attempts are not taken seriously and also they try to avoid sharing too much local information.

Local view point

William sees the role of the headquarters in identifying the international market needs and supplying products that represent major technological

innovations accordingly. He believes that there is an imbalance concerning expectations by central marketing managers and their effort to collect the opinions of local managers about their market requirements.

He however has noted the beginning of a change in mind-set in the company. HospiMed had launched a training program for all marketing staff world-wide by an external internationally leading marketing academic. In the course of this program, people were asked to perform in-depth market research. *'...some people...realized that the own opinion, the (domestic) view, is not the only one, and if talking about (the) United States, China, Brazil, Russia it could be absolutely different.'*

Local field support

Oliver sees the role of the business development function in providing a basic service to the local countries in terms of guidance, training and surgical set supplies in the launch phase of new products, as well as courses and fellowships for the local physicians. He generally believes all of this to work quite well in his organization. He considers his business development manager for country 4 to be a particular connoisseur of this region, a fact that is not true for many other regions.

A major part of Thomas' strategy is to work with country 4 physicians who are well connected to the government and are considered national key opinion leaders and to establish scientific and educational exchange programs with opinion leaders from the domestic country of SurgiSupplies, or maybe also with other important users of SurgiSupplies products world-wide. Another important activity for him is to organize training events for dealer reps and medical professionals. But this is to him more difficult in country 4 than in subsidiaries in other countries due to lacking support from the local marketing team.

Daniel thinks that the cooperation between the headquarters and the country 4 subsidiary is good, particularly in SBU 4 where he believes that Thomas, the responsible central business development manager is doing a very good

job with a lot of personal commitment. Thomas is arranging many foreign opinion leaders to come to country 4 and convince local physicians of SurgiSupplies products. Interestingly Daniel is of the impression that such commercial leads that are initiated by central managers are often not followed-up appropriately. *'I get the impression, that one person initiates something and then it is not followed-up because it was initiated from the headquarters and they do not see it as their own Baby. But we are serving them a new customer on a silver platter, who would just need to be taken care of.'* ^{xxvii}

Long-term personal relationships

Daniel points out that in country 4 personal relationships are particularly important. He gives the example that a customer would still buy from an old school friend, even if he lived far away and could not provide any service, meaning that if the hospital director changed, the new one would buy from a different person he had a good relationship with.

Unlike in developed countries, most of SurgiSupplies' sales and marketing staff in country 4 are physicians or nurses. This allows them to have a good customer network, as many of their customers are former colleagues or fellow-students. In Harry's experience, the selling activities are more about personal relationship and very little product related.

Communication of global strategic orientation

Oliver believes that the global strategic decision to primarily invest in two core business SBUs was reasonable and has been implemented reasonably well in the past years, and that other departments like SBU 4 have been respecting this decision.

Another objective for central sales he sees in sharing success stories and best practices among the subsidiaries, e.g. during the annual division meeting.

Strategic meetings with multiple local and central hierarchy level involvement

Local view point

Williams believes that when analyzing the different local markets, some clusters of countries with similar market needs could be found. He would like to see the managers of such countries work together with headquarters on new solutions to what he calls '*hot topics*'.

Strategic planning and reporting systems

Local view point

When asked about his impression about the new planning tools that headquarters has recently installed, William similarly states that he is quite fine with providing any information about his organization as long as he receives feed-back about the outcome. At the moment he does not feel to receive such feed-back.

'Because we send a lot of information during our whole life, and never (receive any) answer, ... I mean we do not know the final decision, we do not know the final result. It's hidden somewhere I can feel ... some changes in the management ..., in the internal structure, in approaches in marketing, definitely yes. But I do not know, had I some influence to this procedure? My contribution is not clear for me. And it ... demotivate(s) our employees because we cannot show the final result.'

He gives an example of a hospital that had asked all their employees for suggestions of improvement. There had been hundreds of suggestions and the hospital had explicitly communicated their decision on each one of them and also publicly recognized the best contributions. Although there had been no financial rewards the motivational effect had been outstanding for the organization.

Oliver believes that the new investment planning report initiated by the global sales department helps communication, but does not have any practical

relevance. He believes there is a big difference in what subsidiaries proclaim in such reports and what they actually do or what is realistically feasible.

4.5 Country 5: Working with an Indirect Dealer Sales Force

4.5.1 Situational and Organizational Factors

The summarized and coded interview data for situational factors concerning country 5 can be found in Annex 3.5.1.

Specific case context

The SurgiSupplies organization in the European country 5 is among the top 10 subsidiaries in sales. The subsidiary has traditionally been involved in all SBUs of SurgiSupplies. The specificity here is that, as opposed to most other European countries all of which operate direct selling teams, in country 5 the vast majority of sales are executed via an indirect sales force of independent dealers. The sales organization in country 5 holds country rank 9 for SBU 5a and rank 8 for 5b. Sales in both SBUs have been stagnating with even a small decline of 3% in SBU 5b over the past 3 years. This decline has accelerated in 2011 (-18%). Market shares for both SBUs are similar at 16% (5a) and 14% (5b) and both markets are estimated to be presently shrinking at 4-6%.

For two of the two SBUs 5a and 5b, there is only a single person in charge for all sales in the entire country. SBU 5a is providing equipment and implants for a highly specialized surgical indications while SBU 5b provides equipment for a wider spectrum of different surgical indications.

Interviews were held on the headquarters side with the marketing heads of SBU 5a (Brian) and 5b (Charlie), the central sales manager responsible for country 5 (Paul) and another central sales manager who had performed a major survey concerning SBU 3b in 20 subsidiaries (Claire). On the country 5 subsidiary side the SurgiSupplies divisional manager (Patrick), a marketing and sales manager responsible for multiple SBUs (Larry), and the local sales manager (Edward) were interviewed.

Brian is the central marketing head for SBU 5a. He explains that the business in country 5 has been handled via local dealers for decades. He says the business there had its ups and downs over the years and the main influence factor to him are the individuals in the different periods who have been managing these dealers. To have appropriate people to him is the number one success factor for the business. Today he believes to have the right people, and he is very satisfied with the situation, even though the business is currently difficult due to a general economic crisis in country 5.

Charlie is the central marketing head for SBU 5b. He says there has been a very positive development in country 5 over the years, because the different responsible people over the years always had long-term prior experience in these products. Generally speaking, Charlie thinks that the structure for SBU 5b in country 5 is appropriate for a market that is defined by a dealer driven sales channel and also the sales level is satisfactory. Over the years country 5 has always been a top 10, sometimes a top 5 selling country for his SBU.

Patrick is the division manager in country 5. He states that the objective for SBUs 5a and 5b has been for many years to maintain the same annual sales level or at most to grow very slowly, but at the same time to ensure a high profit. As the markets for these products in country 5 is relatively small he does not really see an opportunity to grow sales. Even by entering into a new product segment he believes only minor growth could be achieved, although he considers all the products to be of high quality.

There are only two people working to promote the SBU 5a and 5b products. There is one local manager, Edward, who is in charge of the marketing and sales of these to product lines and his boss Larry. Larry is the Marketing and Sales Manager of SBUs 4, 5a and 5b in country 5. He says that Edward manages the sales force for SBU 5a and 5b that consists to 70% of dealers and to 30% of independent agents himself while Larry is his manager. He estimates the total market size for these products in country 5 at about 10 million Euros.

The biggest challenge to him for this business is the lack of funding of the

distributors in the face of an economic crisis in country 5 that is threatening the survival of many of the dealers. So their strategy is to convert some of the buying and reselling dealers into commissioned independent sales agents. This leads to a major change in the company's cost structure, as the commissions for agents are a cost factor while dealers live of their own generated margins at no expense to the manufacturer. Larry thinks that in the face of the crisis, sales levels are down and so they cannot invest in a direct sales force, a few additional product specialist or clinical consultants at most.

4.5.2 Effects of Decentralization and Delegation

The summarized and coded interview data for organizational factors concerning country 5 can be found in Annex 3.5.2.

Decentralization

Delegation and decentralized decision making seems to be widely recognized as a motivating factor for employees. While the local managers seem to be enjoying their independence, the central managers seem to somewhat appreciate the fact that the responsibility for potential failure is largely born by the local managers. However it is being pointed out that there is no defined process of how central and local managers should interact, what kind of planning and reporting systems they should use and how they should agree on goals. Communication seems to rely very much on long-term personal relationships and on the cooperativeness of individuals both centrally and locally. Cultural closeness and speaking the native language is seen as a big advantage. As it seems to be important for central managers to get unfiltered market experience by talking to local customers and sales people, language barriers can be an important problem.

SurgiSupplies' American competitors appear to be much more directive in dealing with their local subsidiaries than SurgiSupplies. While this seems to allow them to roll out global strategies more consequently, on the other hand

there have been examples of local failure due to insufficient consideration of the local people and situations. Interestingly Synthes, the only significant European competitor seems to be acting in a similar way as SurgiSupplies. There seems to be more autonomy for employees at SurgiSupplies than in some other companies and also less sanctioning. People seem to be evaluated in a more qualitative way than at competitors, where dissatisfactory financial results can lead to separation more quickly, apparently resulting in a permanent underlying fear of being laid off.

The relatively large autonomy of the subsidiaries with an unclear direction of control sometimes leads to local decisions that are contradicting the central strategy such as investing in non-focus product areas.

Privileging the domestic market

There is a pronounced envy of the local sales team in country 5 towards the domestic sales team of SurgiSupplies. The local managers believe that the central managers are favoring the domestic sales team and develop the products mostly according to their needs, neglecting different requirements from other countries. Also, opinion leaders and speakers at educational events are mostly drawn from the domestic market. This is why they encourage central managers to visit country 5, to get involved with their customers, opinion leaders etc. and to simply acknowledge and agree to local strategies and activities. Also, they like to send expatriate local managers to the headquarters to improve country 5 contacts and influence. The local managers strongly advocate more exchange and influence of the different countries concerning the R&D strategy.

Influence of central managers on local strategies

Brian is usually satisfied with his possibilities to influence the local organizations, but there are exceptions. The subsidiary in country 2 for example to him is unique and totally different than any other subsidiary he knows and changing things there takes very much longer. While he would like to have more influence, on the other hand he believes that also the

managers there need to make their own experiences, even if he believes this might result in draw-backs.

Brian has a clearly defined global strategy, but he says that he does not force local managers to apply it in their countries. He rather tries to convince them of this strategy, which he says usually works out fine. Although he says no one ever told him that his strategy was generally wrong, sometimes local managers have good reasons why it would not work exactly like this in their particular situation and it needed to be adapted. *'The global strategy should be a general framework, like left and right guard railings, where I say we should stay within these limits. It is logical and reasonable that there should be local variants of this strategy. On the other hand I do expect that the countries do not breach or cut across this framework. As a practical example, we do not want to enter into certain technologies or product segments, and if the countries argue, they want to take them up anyway and sell them, then of course I try to make it clear that this is not in our interest.'* ^{xxviii}

Brian makes a strong point that he wants to consult the local managers, to convince them with strong arguments, rather than giving them strict orders. The reasons are firstly that he would not want to be given strict orders himself, but secondly that he does not want to take over the responsibility for the local success: *'Because a) I do not want to work this way, meaning I wouldn't want to be the person myself who merely gets told what to do and b) it is also to some extent more convenient for myself, otherwise if things went wrong they could relax and lean back and say, but Brian told us to do it this way and that's why it went wrong.... There are local discrepancies but you ... should tolerate them. ... If it's successful we all tap each other on the back ...if it's a flop I can intervene and say 'I told you so'. So I'm always in a very comfortable position.'* ^{xxix}

Concerning his cooperation with the new global sales department, Brian thinks it has been considerably improving and he sees an improvement in the capabilities of the headquarters to assert local influence. He says that sales responsibility for years had been delegated to the country managers and

then central marketing had taken over some of these responsibilities. He believes the decision to reinstall a central sales department was correct and he believes that his SBU 5a has benefitted a lot from this decision during the past 2 years.

In the beginning there were some fears of losing certain responsibilities among the central marketing people. He admits to still sometimes forget to inform the responsible central sales managers about certain of his country activities.

Concerning the product strategy, Charlie is quite happy about country 5, as they have historically always been selling into the medical specialties recommended by the headquarters. Concerning the business strategy, he is somewhat skeptical, because the business goals in his opinion are not really ambitious, so he observes a lack of commitment to SBU 5b. On the other hand he understands, that a reduction in local head-count is a logical consequence.

Charlie clearly sees it as among his responsibilities to influence the local strategy of the countries by proposing the implementation of the central strategy to them and to follow-up on the implementation in the countries. He however points out that there is no defined process for this, like standardized formats for marketing plans. Some countries take the initiative to write marketing plans themselves, but they typically do not coordinate this activity with Charlie and his team:

'If I came to Edward and said 'Show me your business plan and your marketing plan, please.' he would probably feel intimidated and would say 'What does he want now, that's none of their business!' That's the problem we have.'^{xxx}

Local view point

Aside from the fact that in his opinion there are not enough new product launches in SBU 5b, Patrick is very satisfied with the cooperation with the

headquarters and he believes the headquarters managers think so, too. But he says that the selling targets and strategy is defined locally without interference from central managers. They manage their own dealers who act very independently towards the end customers. Headquarters is also not a lot involved in marketing strategy and activities. This however is different for other SBUs, particularly for SBUs 2 and 3b where they ask for and receive a lot of support from central marketing.

Concerning the new central sales department, Patrick is very satisfied with the cooperation with Paul, the dedicated central sales manager for country 5. He appreciates very much that Paul is a fellow-country man who is easy to communicate with. They have known each other for a very long time, also prior to the creation of the new central sales department. Patrick says that Paul to him is like a link reaching into the headquarters, communicating and pushing important issues and providing relevant information. They communicate several times a week.

While Edward knows Paul, the central sales manager, and they have joined a meeting together in the past, he does not have any specific contact to him. He thinks that Paul usually speaks to Patrick, the boss of Edward's boss. But he believes the central sales department to be a good initiative, as there are more and more problems in country 5, such as the delays in customer payment, that the headquarters needs to get involved in. Also he thinks that central sales managers can gather experience with problem solving in different countries and then help countries who newly encounter the same issues.

Concerning SBUs 5a and 5b, the local managers have been treating them as cash-cows for the past years with less than ambitious sales targets and the responsible central managers are not very happy about that. The local managers on the other hand are dissatisfied with the innovation potential of the central activities in this field that in their opinion is limiting their market opportunities.

While central sales managers get involved in the operative business of

smaller countries, in larger countries their function is seen as being consultants to the top management of the subsidiaries. The local organization of country 5 sees their responsible central manager as a good platform for communication with the headquarters, but does not see his role as beneficial for their local sales activities, believing that it is rather the smaller country organizations that are in need of such services. Both local and central managers for SBU 5a and 5b seem to be generally satisfied with their cooperation. If confrontations arise, they are typically about profit distribution between central and local due to transfer pricing. The central managers have accepted that their role lies in convincing the local managers of certain concepts and letting them decide what projects and products to engage in, as long as they stay within certain limits of the global strategy.

On the other hand, some local managers apparently have difficulty in accepting their role as a local subsidiary and try to develop own strategies outside of the global strategy framework. One example is given where this has ultimately led to the replacement of the local management team.

Short-term risk-averse local strategies

There seems to be a tendency for local managers to try to satisfy as many of the central managers as possible in order to protect their own standing at the headquarters, leading to very diversified large local 'super market' product portfolios. There also seems to be a general culture of avoiding confrontation. Even when there is a pronounced wish to reduce the portfolio complexity by abandoning certain activities, and even if this is documented in the planning system, often this still does not lead to a consequent disinvestment because neither central nor local managers really dare to give up an existing sales volume. The role of the new sales department in improving these issues is being recognized by central marketing managers, but their actual contribution does not seem to be very clear.

Competition between SBUs

There appears to be a strong competition of central managers for the sales

resources of country 5 that is pointed out to be typical for all subsidiaries. When country 5 for example decided to dedicate 50% of the time of the traditional SBU 5b sales manager to SBU 5a, the sales in 5b started to develop unfavorably. Lobbying activities such as visiting the countries are described as an 'arms race' by a central manager. If there is a major innovation in one SBU, local managers often decide quickly to reallocate sales resources in favor of short-term opportunities, neglecting the fact that this might be to the detriment of the long term development of other product groups. Also, central meetings requiring local sales managers to visit the headquarters, are not coordinated between the different SBUs, sometimes making it impossible for local managers to participate.

The local subsidiaries on the other hand are in competition over central resources, such as R&D capacities for locally adapted solutions and loan systems for specific customer needs.

4.5.3 Activities and Tools to Improve Central Control

Central managers' credibility and acceptance

Paul states that he usually is not informed about visits of central SBU managers in country 5, sometimes he will receive a report retrospectively. Other than that he will only be involved in discussions concerning the individual SBUs in the quarterly review meeting, where together with several executive team members of SurgiSupplies, he will discuss the current situation of country 5 with the local top management. In smaller subsidiaries, Paul and his team are also charged with the operative daily support for the subsidiaries. Paul regrets not having any operative tasks in the larger focus countries, as he believes that the central marketing does not spend enough time with them and does not satisfy the needs of these countries: *'What do the countries want? In the end, what they tell me, they simply want to be accompanied in their activities. They do not necessarily want you to join all activities, but at least you should be there several times a year, to visit some*

key customers or simply to exchange about the market activities and plans. And then to either give an ok or to propose some improvements. That's really what the countries want. ' xxxi

He remembers an SBU 2 meeting where the country 5 managers presented their plans, and Paul and his boss simply agreed to them and approved the proposed investment. *'They still today cite that meeting as prime example of what they expect from us ...And they say with that support they dared to start their venture that ultimately was a success.'* xxxii

Brian points out that some years ago the responsible managers were difficult to communicate with and there were difficulties in mutual understanding. He believes that this is a question of both sides having an open attitude of listening to each other, being open for critique and willing to accept advice from the other.

Brian thinks that some managers in local countries just cannot get over the fact that all their products are designed at the SurgiSupplies headquarters and not in their own country. *'I always try to put myself in their place. Imagine SurgiSupplies were an American company and the headquarters were in the US, then I would need to adapt to the partner over there. You can't always take the position 'in my country things are different and you need to think about my country', you need to be open and see the glass to be halfway full rather than halfway empty. Those are matters of attitude where I can say some have it and some do not. And for those who have it, it makes their life much easier and they will usually be more successful mid to long-term.'* xxxiii

Paul thinks that country 5 is one of the easiest countries to work with. He believes that the main reason for this is that the local general manager and the local division manager both have a very positive attitude toward SurgiSupplies and like to accept but also demand guidance particularly for some product groups. In particular with SBU 2 and 5a, very traditional businesses of SurgiSupplies where they are market leaders, and trust in the competency of the company and they appreciate the global marketing and sales approach. Paul in the past was working in marketing for SBU 2 and had

many prior relationships with country 5. Also he is a fellow-countryman of country 5 and he therefore believes to have a high level of acceptance for these two reasons there. In other SBUs, the local country 5 managers are much more skeptical about the competency of SurgiSupplies and do not trust so much in the global marketing and sales approach. Interestingly however, in a recent satisfaction survey they had more critical questions concerning the 2 'popular' SBUs. Paul thinks this might be, because they feel more confident themselves in these areas. He points out that after this survey, they had individual meetings with the central and local managers of SBU 2 and 5a, and he had the feeling that the central managers had little knowledge of the specific problems of the respective country 5 team. He thinks that their general attitude is to assume that there are no problems, as long as sales are up, so he considers them to be very distant to the market. Paul thinks that the central managers maybe know a few local opinion leaders in country 5 but other than that do not know the market reality. He thinks that they should be more directly involved.

On the other hand, the local country managers in his opinion do not even want the central managers to get involved in operative business, that they consider their own domain. They want them to be solely involved in product development and strategic guidelines.

Paul also has some examples of large subsidiaries that he considers as negative examples as far as his cooperation with the headquarters is concerned. In one country for example, while he believes that his personal cooperation is works reasonably well as he has personal cultural ties to this country and speaks the language very well, he does not think they work well with the central SBU managers. The reason why the overall cooperation with central is not so good, he blames mostly on the local division manager, who has been on this job for a very long time and is approaching retirement. Paul believes that this person has no longer any motivation for change and also believes to be the ultimate expert for the local market and does not listen to any outside opinions. This is why Paul thinks there is not a cooperative partnership but rather mutual reproaches. Similarly to country 5, however,

this division manager is more cooperative with SBU 2, as he believes SurgiSupplies to have its highest competency there. SBU 5b is unsuccessful, because they do not really know what team to charge with these products and keep reorganizing the sales and marketing responsibilities.

Paul believes that the subsidiaries do not really distinguish between central sales and central marketing, but that they would like to have some SBU specific support with their sales management. They do not receive this kind of support, because the central marketing does not feel responsible for that. *'Sales support, e.g. for SBU 5b means, how do I structure my team, in order to sell SBU 5b products? What are the options, which are the existing best practices, and so on.'* ^{xxxiv}

Paul describes another subsidiary where the cooperation with central does not go well. In this case, the local team always considers their country to be of highest importance and expects special treatment by the SBU managers. These in return seem to have given up on them, as they have not met expectations in any of the SBUs for many years. The management team there has been exchanged and the new managers seem to be more open for advice from the headquarters, but the success still needs to be shown.

Local view point

Interestingly, the local managers in country 5 seem to have very different levels of trust in the competency of the central managers in different SBUs, the quality of their strategies and their knowledge and market shares in international markets and their efforts to develop them. But they have a very general skepticism about the understanding of the central managers from all SBUs about the market situation and needs of country 5 and the required sales structures to be successful there.

Patrick generally speaking encourages more central managers from different departments to visit the subsidiaries, in order to understand the different situations of the various countries. In his experience, many central managers only have experience with the domestic country of SurgiSupplies and do not

believe their international counterparts, when they claim that things can be radically different in other markets. Sometimes he even experienced that central managers had a wrong understanding of market situations in their own domestic country and had the same kind of conflicts with the local domestic sales force. So in his opinion, central marketing often misses to pick-up on new world market trends. Also Patrick has observed that central managers are often hired directly out of university and they do not have the knowledge and the experience to be accepted by subsidiary staff who often have spent a life-time in the industry. Another way of improving this situation is to send people from the subsidiary to the headquarters for a certain period of time in order to get to know the system and build relationships and trust. He has good experiences with such programs, but they are very rare.

Edward has observed that a lot of new colleagues from emerging markets are now joining the international SurgiSupplies meetings. His feeling is that the cooperation of the headquarters with all the countries is good and he is very satisfied with his daily contacts. On the other hand he thinks that the research and development programs should be decided by an international team. The annual international meetings at present are good to learn about existing products, but Edward would like to present the input from his own customers to new product developments, in order to ensure adequate products for his market in the future.

In SBU 4 they believe to be in need of a lot of support but do not receive it. He gives the example of a recent quality problem where they felt left alone by the headquarters:

'It has been managed very strangely by the headquarters. Because everything (was) by phone, nobody comes here to help us with the customers. We asking several times because we were without good information, or recent information, ... but we already communicated this disappointment from our side, .. I think it's very well known.'

Concerning SBU 4, Patrick feels to be generally left out considering international activities. He would appreciate his country to be visited more

frequently by head quarters managers and to visit local key opinion leaders together to gain contacts, input and cooperation. Many physicians who are working in the SBU 4 specialty are looking for scientific and educational cooperation with companies, things that local subsidiaries can only offer in a limited way. Even when they manage to start a consulting relationship between a local KOL and the headquarters, there are problems, because the headquarters managers do not necessarily follow the advice of the consultants, resulting in problems for the local relationship with these physicians.

Larry believes that central marketing is biased in their world-view by their domestic market and focuses too much on this market in their activities. His observation is that speakers in international meetings, such as expert physicians invited to educational meetings, usually come to 90% from the domestic country of SurgiSupplies. Also, these speakers, while they might be experienced users of the products, often are not internationally renowned opinions leaders. It is sometimes difficult to justify to his customers to accept such training courses.

Larry says that central managers often claim that it is the subsidiaries, who do not propose any opinion leaders of their respective countries to participate in international activities. Larry on the other hand thinks that country managers have been discouraged to do so, as their requests have been declined for too many times in the past. He believes that his international colleagues have made the same kind of experience. In order to overcome such shortcomings, Larry suggests to involve the local managers more in central decision making, e.g. by organizing meetings several times a year to discuss current market intelligence and trends and to share local ideas and expectations with headquarters. He believes that such new inspiration could revitalize managers at central marketing.

Concerning the newly appointed central sales manager Paul, Larry believes that he is very knowledgeable and helps to explain the particularities of the country 5 markets to the headquarters. Also he can sit in on meetings with

the different central SBU managers and follow up on activities and help with the internal organization of international conferences and trainings for customers. On the other hand, Larry believes that the responsibilities of central sales and central markets at the moment are not very clear in the organization, and he is not always certain who to address and who to inform about different issues. Larry however believes that this lack in clarity will be resolved with time.

Local field support

Brian likes to get deeply involved in the local organization because in his experience the local sales and marketing managers usually are filtering the true market information. In countries where he can communicate with the customers and sales people directly without language barriers, he often perceives a different atmosphere speaking directly to them, than suggested or simplified by their managers and this gives Brian more self-confidence in his evaluation of local decision-making.

In the launch phase of products, Charlie and his team try to directly support sales people in the different countries, by visiting customers together with them and directly get involved in the demonstration and usage of the products. Sometimes he thinks they should push such direct customer activities much more, but he sees two disadvantages. Firstly the local teams need to become self-sufficient; otherwise they will not be able to service the customer in a timely and satisfactory manner. Secondly Charlie fears to get into a kind of arms race with other central SBUs: *'That would really lead to: '5b does a monthly conference call, so we will fly over there every quarter'. Then we would say: 'Ok, if they fly over every quarter, we will do that too'. Then the others would fly over every two months and, this actually happened before, we would be beating down the doors at the subsidiary, saying 'Mine is important, this is the most important.' and I believe we are far from finding a good structure for this at SurgiSupplies, this is somewhat left to the egoisms of the individuals.'*^{xxxv}

Larry believes that a local organization needs to feel close to the central

marketing department. He would like to see many visits from central managers in his country to do training updates for the local staff, to visit customers together and explain to them the international strategy and world market trends, to give them the impression of dealing with a truly international company. He is not quite satisfied with the level of engagement of the central managers in his country and he would like to see more activities.

Mutual trust, respect, frequent and truthful communication

Brian particularly dislikes local managers who every time they meet tell him that they will now start putting more focus in SBU 5a and that they will invest and start activities and in the end of the year he realizes that nothing has changed. He believes that such managers are wasting the resources of Brian's team: *'Honesty is also really important for me. ..., there's a clear ABC classification with A countries, which we take care of, B countries we can support if we have remaining resources and C countries, we will probably never go there personally, unless there is a congress.'*^{xxxvi}

Brian tries to give the local managers the feeling that he is open to their culture and their suggestions. He tries to respect the different local meeting cultures and also to always to greet them or throw in some phrases in their local language. He thinks that this helps a lot to make them more open and cooperative. While there is a lot of daily email, Brian believes that regular personal contact in meetings and telephone conversations are crucial for the success. But also here it is important to adapt to the likings of his business partners, some prefer weekly or almost daily contact, others find it offensive if he calls too often.

Long-term personal relationships

Brian thinks that over the years some of the local staff have been exchanged for the better, some of the older staff have become more cooperative and also himself and his team have learned to be more open to the suggestions from the countries. Also he believes with time people learn to understand

each other better. *'You walk the same path together for a certain time, you have successes, you have failures, that somewhat bonds people together, people get closer and develop a better understanding for each other.'* xxxvii

Local view point

Concerning SBU 5b Larry believes the cooperation with the headquarters to be excellent, as Edward has been dealing with the business for so long, has good relationships with the central managers, knows the 'internal dynamics' and can organize the technical service required for these products. Also, sharing the discount with central marketing, they have been organizing an annual sales promotion program for the dealers that has worked out well over the years. In SBU 5a the situation is different, because their former local product manager did not manage to create a good partnership with the headquarters. Larry thinks it was a matter of 'personal feeling' and 'personal credibility' and this person has left the company in the mean time.

But since Edward has been taking over this activity in addition to his other products two years ago, the situation has been improving. They have been investing in marketing activities and this year, for the first time, they had organized a meeting with Brian from central marketing to present their marketing and business planning to them.

Patrick believes that sales management in country 5 requires much more intensive personal relationship with the customers, dealers and also the agents than in many other countries.

Communication of global strategic orientation

For Paul the key to success for individual SBUs from a central point of view is to have a simple and clearly communicated strategy concept that makes it easy for country managers to decide if they should introduce certain product groups or not. Some SBUs have such a clear focus, others do not. He says that the central managers cannot force countries to participate, but need to convince them. As a negative example he explains that even with a highly

innovative product in their product line, the responsible central managers of SBU 5a have not been able to show the local subsidiaries how to successfully implement it and to trust in their strategy.

Strategic meetings with multiple local and central hierarchy level involvement

Today's international meetings with 50 to 100 participants in his opinion are too large to achieve a constructive kind of exchange. He rather suggests smaller meetings with 4 to 5 country representatives to discuss individual topic areas. Local managers would then also get a better feeling of their own strategic involvement. Talking to colleagues from other countries, he thinks that many trends and issues in these markets are really global and more or less the same for all countries - but central marketing does not always seem to acknowledge such trends.

Strategic planning and reporting systems

Brian generally has a positive attitude towards the new reporting tools installed by the central sales department, but he says that they only make sense and can be used at a reasonable effort for the top selling countries, where to him they are a useful help for his decision making. He believes that the new resource allocation planning system is very good but that the decisions documented in this report are often not consequently implemented, because managers have a difficult time to abandon any activities. *'Because in the end, I believe, that's the big problem of SurgiSupplies: we always want to do everything but never let go of anything in return. And that does not work. If I want to pursue certain things consequently, then some other things need to be neglected or ignored.'* xxxviii

Charlie gives the example of country 3 that has a very elaborate marketing plan, which in his opinion nobody reads, as it is too lengthy. Also he points out that the targets in this plan are far less than ambitious.

Charlie thinks that the company could benefit from a more systematic strategic planning approach. But he at the same time believes this to be a difficult task, as it would require to break down the overall sales plan into

SBU, product groups and products, with quarterly focus and top priority strategies and action items on the subsidiary and on the headquarter side.

For launches of new products, however, Charlie's team does require the country to give them written forecasts for units sold and demo units required and this is understood and accepted by the subsidiaries. For some countries, e.g. in country 5, he considers the planning and coordination to work well in an informal process with regular communication. They present their global strategies and their expectations for the individual countries in the beginning of the year and there usually is no particular resistance, so he assumes that the countries agree. These countries, that are easy to work with, are typically the ones that need and appreciate help from the headquarters, for example the BRIC and the MIST countries, who often have young and inexperienced staff, and who regularly seek for input in the form of know-how but also financial support, or the absolute top-markets who know that they get a lot of central attention. If the countries feel to be self-sufficient concerning know-how and resources, often with people who have been with the company for many years, there is little exchange about the business strategy, unless they have really bad results and are obliged to justify themselves.

Charlie thinks that by introducing a standard format to report market data in overview charts and to collect this data in a systematic way is a big step in the right direction that leads to more accountability on the subsidiary side.

Concerning the subsidiary marketing and sales organization survey, Paul first tried to fill it in together with the central SBU managers. His observation was, that they did not have enough detailed information about the subsidiaries in order to answer the questions. He believes that the managers often made unfounded negative assumptions resulting in poor survey results. His conclusion is that central SBU managers should not be asked to answer such questionnaires.

In a second attempt Paul used the questionnaire to fill it in during an interview with the local country managers without having made any pre-assumptions. He says it was a very good experience, because the local team

during the discussion started asking themselves critical questions about their own organization and the real weaknesses of the local organization actually emerged in their self-evaluation. Important issues could thus be identified and activities could be derived. An external evaluation in Paul's opinion is interpreted as an attack and the local managers get defensive. But with the self-evaluation, the central managers had the opportunity to give their input and the learning experience for all of them was much better. The second version of the questionnaire also included an evaluation of the urgency for improvement. This to Paul also was very helpful as it focused the action plans.

In the same way, they had performed the market potential analysis together with the country. Although the main finding was, that the market data submitted by the local team was inappropriate, this at least led to an action item about improving market research and market knowledge concerning certain SBUs. The self-evaluation in these categories consequently also were very poor. Paul concludes that the market potential tool is particularly suitable for smaller emerging countries, who do not have many local marketing resources at their disposal and there are limited official statistics. He believes that it is a simple and realistic display that is appreciated by the local managers.

For the larger subsidiaries Paul finds it hard to sell them the tools, because the local countries already have their own ways of analyzing their markets and they do not want central to get too much involved.

One thing that is missing in the market potential analysis tool is a realistic indicator and predictor for the competitive strength of the SurgiSupplies in a given SBU and a given country, that allows to really compare the true business opportunities in the different market segments. He does not believe that the relative market share is a sufficient indicator.

The radar screen, in his experience, so far is neither understood by the countries, who see it as just another report they need to fill in for the headquarters, nor is it being used by the regional managers to communicate

with the countries. In the quarterly review meetings, the radar screen is never considered or discussed.

Local view point

Concerning the new reporting tools initiated by the central sales department, Patrick says that he is trying to deal with them all by himself and not to get his organization involved. He believes to have a very lean organization and that his team needs to spend all their time working their markets and their customers and not with internal planning and reporting activities. Also he generally does not consider the planning activity as useful, because the plans most of the time involve new product launches, which are notoriously delayed and the plans become obsolete very quickly.

‘... new product(s), ... available set(s) are the base of the success ..., if everything is functioning, ...the timing for the product launch, the transfer price that we expected, the support that we expected, but many time(s) we signed a lot of dreams.’

Patrick thinks that the fact that country 5 has an indirect sales force also has a big impact on the IT reporting tools that are being used, such as CRM systems. Independent agents and dealers, other than direct sales representatives, only with great difficulty can be obliged to write activity and customer reports etc. Also, the access to internal data is much more critical for them. The system proposed by HospiMed thus does not apply to the country 5 situation and needs to be heavily adapted. Another aspect is the editing of tender documents. While direct sales reps frequently handle such documents by themselves, internal administrators need to perform this as a service for agents and dealers.

Larry has heard about new central reporting tools, and he believes it is important to share information with the headquarters in order to be able to compare the activities in different countries. On the other hand his impression is, that this kind of information is kept at the top hierarchy in country 5 and Larry somewhat regrets that. He finds it difficult to decide, if sales

management in the form of reporting, incentive programs and training programs should be internationally standardized within a company group. He says that this had also been a long discussion at his former employer Johnson & Johnson nine years ago. On the one hand, he thinks that sales managers like to have their own personal approach to these things, on the other hand standardized tools make communication between managers easier.

Chapter 5: Performance Survey Results

In line with our fourth sub-research question, the objective of the analysis in this section is to evaluate the usefulness of performance surveys, such as the ones used by SurgiSupplies, for the improvement of international sales force effectiveness. As accurate and meaningful performance measurement is the basis of any central activities for improvement of subsidiary performance, this analysis relates to the core challenge of this thesis.

The following two sections displaying the data analysis results for both surveys are structured in an identical way. Firstly the appropriateness of the data for factor analysis is verified. Secondly the underlying structure of the data is analyzed by extracting the maximum number of factors that can explain the variance in the survey responses in a meaningful way. This method combines different survey items that were answered by the respondents in a similar pattern into common factors. Interpreting the underlying reason of these similar responses then allows the assignment of explanatory labels to these factors. In a third step, the reliability of the statistical analysis is validated. The performance measures are then correlated to actual sales output data to verify how team performance as perceived by team managers is related to actual sales outcomes.

After the usefulness of the survey data from the two surveys has been verified, a third section uses the results of the relevant individual survey responses and actual sales outcome data to describe the perceived performance and actual sales effectiveness in the 5 focus countries of this study.

5.1 Subsidiary Performance Survey Results

Mean survey ratings for each variable ranged from 3,0 to 4,2, well above the theoretical mean of the scale of 5,5, indicating the tendency for a rather positive self-evaluation. The standard variation ranged from 1,8 to 2,4 (Annex 1: Table 1).

Factor Analysis

All survey responses were significantly correlated to each other at $p < 0,01$ with the exception of the pairs 'incentive systems' and 'market knowledge' ($p = 0,052$) and 'incentive systems' and 'customer targeting' ($p = 0,02$) (see Annex 1 correlation matrices). Correlations ranged from 0,21 to 0,85 with no values $> 0,9$ and the determinant was $0,0000334 > 0,00001$ which is an accepted heuristic test to ensure the absence of multicollinearity (Field, 2009: 648). The Kaiser-Meyer-Olkin measure showed a value of 0,877, indicating a very good adequacy of the sample size for factor analysis, and Bartlett's Test was significant ($p < 0,000$), indicating sufficient correlations between variables for running factor analysis (Field, 2009: 659-660) (Annex 1: Table 2).

In accordance with the Kaiser criterion, only factors with Eigenvalues > 1 were extracted. This led to the extraction of 3 factors, this model explaining 78,3 % of variance (Annex 1: Table 3).

Rotated Component Matrix (a)			
	Component		
	1	2	3
	'market and customer knowledge'	'team competence'	'competitive strategy'
customer targeting	0,89		
customer analysis	0,84		
account planning	0,83		
market knowledge	0,79		
team motivation		0,84	
leadership		0,79	
sales organization		0,76	
clear strategy		0,73	0,41
team competence	0,47	0,64	
incentive systems			0,86
competition knowledge	0,5		0,74
market trends	0,55		0,66

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

(a) Rotation converged in 5 iterations

Figure 15: Rotated Component Matrix

The rotated component matrix is displayed in figure 15.

The variables 'customer targeting', 'customer analysis', 'account planning' and 'market knowledge' loaded on factor 1 with the highest values. Cronbach's Alpha for these 4 variables was excellent at 0,92 and Cronbach's Alpha after deleting items was 8,74 or higher for each variable, indicating highly consistent responses for these items and thus an excellent measuring scale (Annex 1: Table 4). The variables 'market trends', 'competition knowledge' and 'team competence' also showed noteworthy loadings on this factor that we labeled 'market and customer knowledge'.

The variables 'team motivation', 'leadership', 'sales organization', 'clear strategy' and 'team competence' showed the highest factor loadings on factor 2 that we named 'team competence'. Cronbach's Alpha for these 4 variables was excellent at 0,89 and Cronbach's Alpha after deleting items was 8,54 or higher for each variable, indicating highly consistent responses for these items and thus an excellent measuring scale (Annex 1: Table 5).

The variables 'incentive systems', 'competition knowledge' and 'market trends' represented factor 3 that we labeled 'competitive strategy'. Cronbach's Alpha for these 3 variables was good at 0,83 and Cronbach's Alpha after deleting items was good for 'incentive systems' ($\alpha = 0,88$), acceptable for 'market trends' ($\alpha = 0,17$), but questionable for competitive knowledge ($\alpha = 0,67$), indicating an overall acceptable measuring scale (Annex 1: Table 6).

Correlations with sales output variables

Highly significant positive correlations were found between survey results and actual sales outputs, however the effects were relatively small. In the display of the results, positive effects have negative values, as small survey ratings correspond to positive ratings.

Correlations of sales output variables with individual survey items

Only five out of twelve survey items showed significant correlations to sales outcomes. Although highly significant, effect sizes were rather small, ranging from - 0,17 to -0,3 (Figure 16).

		market trends	leadership
country growth 2011 (Euros)	Pearson Correlation	,106	-,262**
	Sig. (2-tailed)	,208	,002
	N	142	143
SBU total sales 2011	Pearson Correlation	-,195*	-,039
	Sig. (2-tailed)	,020	,642
	N	142	143
country total sales 2011	Pearson Correlation	-,217**	,134
	Sig. (2-tailed)	,009	,111
	N	142	143
country growth 2011 (%)	Pearson Correlation	-,037	-,304**
	Sig. (2-tailed)	,665	,000
	N	142	143

		Correlations		
		sales organization	team competence	market knowledge
country growth 2011 (Euros)	Pearson Correlation	-,086	-,059	,047
	Sig. (2-tailed)	,308	,486	,580
	N	143	142	143
SBU total sales 2011	Pearson Correlation	-,166*	-,217**	-,223**
	Sig. (2-tailed)	,047	,010	,008
	N	143	142	143
country total sales 2011	Pearson Correlation	-,025	-,080	-,218**
	Sig. (2-tailed)	,771	,343	,009
	N	143	142	143
country growth 2011 (%)	Pearson Correlation	-,102	-,138	,027
	Sig. (2-tailed)	,226	,101	,749
	N	143	142	143

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Figure 16: Correlations of Individual Variables with Country Outputs

Interestingly, four of the variables (market trends, sales organization, team competence and market knowledge) were correlated to total country sales volumes and respective SBU sales volumes, but not to sales growth, while one of the variables (leadership) was correlated to total country sales growth and SBU sales growth but not to absolute sales volumes. A plausible explanation for this is that teams with larger sales volumes typically have

been in place for a longer period of time, have more staff members and more resources and therefore have developed a more professional structure with higher competency and better knowledge about markets and market trends. Sales leadership on the other hand seems to be seen by the responding country managers as the single most important source of annual sales growth.

Correlations of sales output variables with the extracted factors

Correlations		total sales growth 2011 (%)
local market and customer knowledge	Pearson Correlation	,048
	Sig. (2-tailed)	,569
	N	141
team competence	Pearson Correlation	-,188*
	Sig. (2-tailed)	,025
	N	141
competitive strategy	Pearson Correlation	-,119
	Sig. (2-tailed)	,161
	N	141

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Correlations		SBU sales 2011	3 years SBU sales growth	total country growth 2011
local market and customer knowledge	Pearson Correlation	-,184*	-,103	,093
	Sig. (2-tailed)	,029	,225	,272
	N	141	141	141
team competence	Pearson Correlation	-,094	-,095	-,203*
	Sig. (2-tailed)	,269	,265	,016
	N	141	141	141
competitive strategy	Pearson Correlation	-,053	,072	,029
	Sig. (2-tailed)	,533	,395	,731
	N	141	141	141

Figure 17: Correlation of Extracted Factors with Sales Output Variables

As only a few of the individual variables correlated to sales growth and with small effects, it is unsurprising that correlations with the extracted factors

were even weaker. However 'team competence' is significantly correlated to 2011 country growth in percent ($r = -0,19$; $p = 0,025$). 'Competitive strategy' and 'local market & customer knowledge' were not significantly related to sales growth (Figure 17).

Team competence was significantly correlated to country growth both in Euros ($r = -0,20$, $p = 0,016$) and in percent ($r = -0,19$, $p = 0,025$) and local market and customer knowledge was significantly correlated to total sales of the respective SBU ($r = -0,18$, $p = 0,029$), the explanation for this being essentially the same as given above for individual variables of these factors.

Interestingly, competitive strategy thus shows no correlation with any of the sales output variables.

Another finding was, that only 2011 sales results showed any correlations with survey variables. More long-term measures such as 3 years SBU sales growth or market shares did not show any correlation with the survey data, indicating a rather short-term perspective of the respondents.

5.2 Headquarters Performance Survey Results

The results of survey item 'documentation' were excluded from the analysis, because the responses were not significantly related to the other responses and because this item did not seem crucial to us, as it was more related to regulatory affairs than marketing and sales issues.

Mean survey ratings for each variable ranged from 1,5 to 2,6, mostly above the theoretical mean of the scale of 2,5, indicating a rather positive evaluation of central marketing. The standard deviation ranged from 0,6 to 0,8 (Annex 2: Table 1).

All survey responses were significantly correlated to each other at $p < 0,05$ with the exception of 'product quality' paired with the variables 'organizational setup' ($p = 0,06$), 'communication' ($p = 0,09$) and 'clear strategy', as well as

the pairs 'clear strategy' and 'clinical evidence' ($p = 0,05$) and 'response time' and 'innovation' (see correlation matrices in Annex 2). Correlations ranged from 0,11 to 0,64 with no values $> 0,9$ and a determinant of $0,004 > 0,00001$, which is an accepted heuristic test to insure the absence of multicollinearity. The Kaiser-Meyer-Olkin measure showed a value of 0,879, indicating a very good adequacy of the sample size for factor analysis, and Bartlett's Test was significant ($p < 0,000$), indicating sufficient correlations between variables for running factor analysis (Annex 2).

Factor analysis was used with the same parameters as in the previous survey in order to identify the constructs underlying the responses of the survey participants and to verify the measuring scales.

In accordance with the Kaiser criterion, only factors with Eigenvalues > 1 were extracted, leading to a total of three factors that together accounted for 55 percent of the variance in the initial data set (Annex 2: Table 3).

Rotated Component Matrix (a)			
	Component		
	1	2	3
	'operational support'	'strategic support'	'product package'
communication	0,83		
response time	0,79		
organizational setup	0,64		
support locally adapted	0,62	0,46	
competitive knowledge	0,52	0,47	
training standards	0,47		
product knowledge	0,45		0,42
adequate strategy		0,79	
clear strategy		0,73	
support level	0,45	0,65	
clinical evidence			0,74
product quality			0,74
innovation			0,62
marketing & sales tools			0,51
delivery performance		0,41	0,41

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

(a) Rotation converged in 6 iterations

Figure 18: Rotated Component Matrix

Figure 18 shows the factor loadings of the rotated component matrix. Again, factor loadings $< 0,4$ are suppressed in the display for easier interpretation.

The variables 'communication', 'response time', 'organizational setup', 'support locally adapted', 'competitive knowledge', 'training standards' and 'product knowledge' loaded mainly on factor 1 that we labeled 'operational support'. Cronbach's Alpha for these 4 variables was good at 0,84 and Cronbach's Alpha after deleting items was 0,8 or higher for each variable, indicating highly consistent responses for these items and thus an excellent measuring scale (Annex 2: Table 4).

The variables 'adequate strategy', 'clear strategy' and 'support level' showed the highest factor loadings on factor 2 that we named 'strategic support'. Cronbach's Alpha for these 3 variables was 0,73, indicating an acceptable measuring scale, although Cronbach's Alpha after deleting items was only 0,62 or higher for each variable, indicating questionable results. (Annex 2: Table 5).

The variables 'clinical results', 'product quality', 'innovation', 'marketing and sales tools' and 'delivery performance' represented factor 3 that we labeled 'product package'. Cronbach's Alpha for these variables was borderline good at 0,7 and Cronbach's Alpha after deleting items was between 0,63 and 0,68 for the individual variables, indicating questionable individual variables (Annex 2: Table 6).

Correlations with sales output variables

Correlations between survey results and actual sales outputs were even more significant than in the previous survey, however, again, the effects were relatively small. In the display of the results for sales growth 2011 and market share, positive effects have negative values, as small survey ratings correspond to positive ratings. In the display of the results for SBU ranking, positive effects have positive values as for both variable sets small numbers correspond to better outcomes.

Correlations of sales output variables with individual survey items

Nine out of out of fifteen survey items showed significant correlations to sales outcomes. All of them are positively correlated to 2011 sales growth, although some fail to reach significant levels. Importantly, also the average total score for all survey items was positively correlated to 2011 sales growth. As opposed to the first survey some of the survey items also were correlated significantly to market share. Although highly significant, effect sizes were rather small, ranging from - 0,18 to -0,27 (Figure 19).

		Sales growth 2011 (%)	SBU ranking	market share
organization setup	Pearson Correlation	-,234	-,113	,063
	Sig. (2-tailed)	,009	,211	,502
	N	125	124	114
adequate strategy	Pearson Correlation	-,153	-,085	-,228
	Sig. (2-tailed)	,087	,350	,015
	N	125	124	114
product knowledge	Pearson Correlation	-,205	-,151	-,030
	Sig. (2-tailed)	,022	,094	,754
	N	125	124	114
response time	Pearson Correlation	-,148	,248	-,224
	Sig. (2-tailed)	,098	,006	,017
	N	125	124	114
training standards	Pearson Correlation	-,028	,099	-,200
	Sig. (2-tailed)	,758	,275	,033
	N	125	124	114
support locally adapted	Pearson Correlation	-,184	,018	-,048
	Sig. (2-tailed)	,040	,844	,612
	N	125	124	114
product quality	Pearson Correlation	-,183	-,257	-,093
	Sig. (2-tailed)	,042	,004	,324
	N	125	124	114
delivery performance	Pearson Correlation	-,053	-,002	-,265
	Sig. (2-tailed)	,554	,980	,004
	N	125	124	114
innovation	Pearson Correlation	-,194	-,205	,041
	Sig. (2-tailed)	,030	,023	,662
	N	125	124	114
innovation	Pearson Correlation	-,208	-,052	-,154
	Sig. (2-tailed)	,020	,570	,103
	N	125	124	114

Figure 19: Correlations of Individual Variables with Country Outputs

There are some unexpected results that however can be explained plausibly when correlating output data to SBU ranking, meaning the ranking of any country's total sales for a given SBU compared to the respective sales volumes of all other countries. As with both, the sales output data and the

SBU ranking data, small numbers correspond to better scores, we would expect positive correlations for this pair of variables. However, most items show negative correlations notably 'product quality' and 'innovation' at highly significant levels, indicating that perceived low product quality and innovativeness are correlated to a better SBU rank. We believe the explanation to be that local managers with higher SBU ranks firstly are more self-confident and thus also dare to be more critical of the headquarters, and secondly higher absolute sales levels usually are associated with bigger, more professional and competent teams, who might set higher standards for product quality and innovativeness. Another very surprising finding is that while delivery performance is totally unrelated to SBU ranking ($r = 0,00$, $p = 0,98$), it is highly positively correlated to market share ($r = -0,265$, $p = 0,004$). Delivery performance thus is not associated to absolute, but to relative sales volumes per country. We believe two interpretations to be plausible, depending on the direction of the effect. Either country managers of SBUs with high market shares have spent more energy on organizing their supply chain processes with central headquarters, or SurgiSupplies has developed stronger market shares in such countries, where delivery performance is easier to achieve, e.g. such countries that are closer to the central ware house in the domestic country.

Correlations of sales output variables with the extracted factors

		Sales growth 2011 (%)	SBU ranking	market share
operational support	Pearson Correlation	-,125	,184	-,028
	Sig. (2-tailed)	,164	,041	,770
	N	125	124	114
strategic support	Pearson Correlation	-,099	-,003	-,163
	Sig. (2-tailed)	,272	,978	,083
	N	125	124	114
product package	Pearson Correlation	-,149	-,311	-,075
	Sig. (2-tailed)	,097	,000	,431
	N	125	124	114

Figure 20: Correlations of Extracted Factors with Sales Output Variables

The findings for the correlations of sales outputs to extracted factors somewhat correspond to what has been found for the individual variables. All three factors show very weak positive correlations with sales growth and

market share, and most effects are too small to be significant (Figure 20). Significant positive correlations can be found for 'operational support' and 'SBU ranking', indicating that country teams with higher absolute SBU sales are more satisfied with the operative support they receive from headquarters, probably because headquarters focuses more on these top performers. The largest and highly significant effect however is the negative relationship between 'SBU ranking' and 'product package', meaning that the higher their sales ranking, the more dissatisfied local managers tend to be with the product related variables 'clinical results', 'product quality', 'innovation', 'marketing and sales tools' and 'delivery performance'. We follow the same explanation as above, believing that local managers with higher rankings are one the one hand more self-confident in criticizing the headquarters and on the other hand, teams with higher sales are more competent and more demanding with respect to product related quality aspects.

Influence of prior years on sales results

Correlations		
		market growth
2011 sales growth (%)	Pearson Correlation	,271**
	Sig. (2-tailed)	,001
	N	161

** . Correlation is significant at the 0.01 level (2-tailed).

Correlations		
		Total 3 year growth
Total sales 2011	Pearson Correlation	,706**
	Sig. (2-tailed)	,000
	N	150
Total growth 2011	Pearson Correlation	,564**
	Sig. (2-tailed)	,000
	N	150

*. Correlation is significant at the 0.05 level (2-tailed).

** . Correlation is significant at the 0.01 level (2-tailed).

Figure 21: Other Influence Factors on Short-Term Sales Results

Sales volumes and growth rates are statistically best explained by projections from prior years. In our data for example, 3 years total country growth was strongly correlated to 2011 total sales ($r = 0,71$, $p = 0,000$) and total growth

2011 ($r = 0,56$, $p = 0,000$) (Figure 21). As performance measurements only correlated to short term results in both surveys, local managers seem to take a short-term perspective and thus the small effect size seems plausible. Another important factor of course are the specific growth rates of SBU market segments in each country. 2011 sales growth were significantly correlated to local market growth per SBU ($r = 0,271$, $p = 0,001$).

Correlations between the results from the two surveys

For easier interpretation we have added 'local' to the displayed factors from the self-evaluation survey and 'central' to the factors from the evaluation of central marketing (Figure 22).

As expected, the results for 'local team competence' and 'local competitive strategy' are positively correlated to all three factors representing headquarters' activities, however effects are too small to be significant.

'Local market and customer knowledge' is negatively correlated to 'central operational support' and 'central product package', the latter showing the sole significant effect. This means that the higher they judged their own knowledge about markets and customers, the more dissatisfied local managers were with the product related aspects and daily support activities from central marketing.

		local market and customer knowledge	local team competence	local competitive strategy
central operational support	Pearson Correlation	-,018	,081	,129
	Sig. (2-tailed)	,857	,432	,208
	N	97	97	97
central strategic support	Pearson Correlation	,052	,065	,014
	Sig. (2-tailed)	,610	,526	,895
	N	97	97	97
central product package	Pearson Correlation	-,230*	,078	,054
	Sig. (2-tailed)	,024	,447	,601
	N	97	97	97

*. Correlation is significant at the 0.05 level (2-tailed).

Figure 22: Correlation of Extracted Factors from both Surveys

5.3 Individual Survey Results of the Studied Cases

As the most important goal of the performance surveys was to identify improvement potential, the analysis is focused on the identification of below average item ratings (Figures 23 and 24).

Subsidiary Performance Survey								
Country		1	2	3	3	4	5	5
SBU		1	2	3a	3b	4	5a	5b
F1,1: 'market and customer knowledge'	customer analysis		7	1	1	5	5	4
	customer targeting		8	1	1	2	4	4
	account planning		6	2	2	3	3	3
	market knowledge		6	1	1	3	5	2
	mean score F1,1		6,8	1,3	1,3	3,3	4,3	3,3
F1,2: 'team competence'	team motivation		6	1	1	4	5	5
	leadership		6	3	3	6	9	9
	sales organization		3	3	3	9	8	7
	clear strategy		3	1	1	5	5	5
	team competence		7	2	2	6	3	3
	mean score F1,2		5,0	2,0	2,0	6,0	6,0	5,8
F1,3: 'competitive strategy'	incentive systems		3	1	1	3	5	5
	competition knowledge		7	3	3	3	2	2
	market trends		7	1		3	2	2
	mean score F1,3		5,7	1,7	2,0	3,0	3,0	3,0
total score			5,8	1,7	1,7	4,3	4,7	4,3

Figure 23: Subsidiary Survey Results for the Studied Cases

The sales and marketing team in country 1 was the only top 25 country that did not contribute to the subsidiary performance survey. Since this is the domestic sales team, although it is considered a local organization, it belongs to the legal entity of SurgiSupplies. Concerning the headquarters performance survey, all items for operational and strategic support received excellent scores. Interestingly, this organization rated product innovation very critically with the worst score 4 and product quality below average with 3.

Country 2 survey results showed to be the most self-critical at average subsidiary survey item ratings of 5,8 below the scale mean of 5,5. Market and customer knowledge items were the lowest at a mean score of 6,8 with particularly poor ratings for customer analysis (7) and customer targeting (8). But also the other two factors had poor individual item ratings such as for team competence (7) and for knowledge concerning competition (7) and market trends (7). Consequently, the need for improvement was rated 'high' for team competence, market and competition knowledge. Only for the items

sales organization and incentive systems the need to improve was rated 'low', all other items were rated 'medium'. All items for the headquarters evaluation were rated 2 with the exception of items marketing and sales tools, communication and clinical evidence.

Country 3 presented a very favorable self-evaluation with all ratings good or excellent (between 1 and 3) and survey ratings for product groups 3a and 3b were identical with the exception of one missing value for unknown reasons for item 'market trends' for product group 3b. The need to improve was also rated identical for 3a and 3b. In no category a high improvement need was identified. However the need to improve for the items team competence and competition knowledge was rated 'medium', for all other items 'low'. The headquarters performance ratings were equally favorable with all items rated 2 or higher.

Headquarters Performance Survey								
Country		1	2	3	3	4	5	5
SBU		1	2	3a	3b	4	5a	5b
F2,1: 'operational support'	communication	1	3	1	1	1	4	2
	response time	1	1	1	1	1	3	2
	organizational setup	1	2	1	1	1	2	2
	support locally adapted	1	2	2	1	1	4	2
	competitive knowledge	1	2	2	2	1	3	2
	training standards	1	2	1	1	2	3	2
	product knowledge	1	2	1	1	1	2	2
	mean score F2,1	1,0	2,0	1,3	1,1	1,1	3,0	2,0
F2,2: 'strategic support'	adequate strategy	1	2	2	2	2	3	3
	clear strategy	1	2	2	2	2	2	2
	support level	1	1	2	2	1	4	2
	meas score F2,2	1,0	1,7	2,0	2,0	1,7	3,0	2,3
F2,3: 'product package'	clinical evidence	2	3	2	1	2	3	3
	product quality	3	2	1	1	1	2	2
	innovation	4	2	1	1	2	4	2
	marketing and sales tools	1	3	2	2	2	3	2
	delivery perf	1	1	1	1	3	2	2
	mean score F2,3	2,2	2,2	1,4	1,2	2,0	2,8	2,2
	total score	1,4	2,0	1,5	1,3	1,5	2,9	2,1

Figure 24: Headquarters Survey Results for the Studied Cases

Country 4 survey results showed a reasonably positive self-evaluation concerning marketing and competition knowledge as well as competitive strategy items, but was self-critical about the items for factor 2, team competence, with a particular poor rating for the item sales organization (9). Need for improvement was rated 'medium' for team motivation, market and

competition knowledge, customer targeting and account mapping and planning, and 'high' for all other categories. Ratings for headquarters performance ranged from excellent for operational support to good for strategic support and product package.

Similar to country 4, country 5 self-evaluation results were rather favorable for factors 1 and 3 and below average for factor 2, team competence, items. Results were particularly poor for items leadership (rating 9 for both product groups 5a and 5b) and sales organization (rating 8 for 5a and 7 for 5b). Ratings were similar for product groups 5a and 5b with the exception of item market knowledge that was rated excellent (2) for 5b and fair (5) for 5a. Headquarters performance was rated good (2) for all items except for 'adequate strategy' and 'clinical evidence' which were rated fair (3). Need to improve was rated 'high' for items team competence and customer targeting only for product group 5a. 'Low' improvement need was seen for both product groups for the items incentive systems, market and competition knowledge and for team motivation in product group 5b. All other items were rated 'medium'. Headquarters performance ratings were by far the most critical for product group 5a at a very low total average score of 2,9 and poor ratings (4) for items 'communication', 'locally adapted support', 'support level' and 'innovation'.

These survey outcomes will be discussed in the next chapter.

Chapter 6: Discussion

Section 6.1. of this chapter discusses the results around the first two research questions about situational, organizational factors, decentralization and delegation. Section 6.2. accordingly deals with the third and fourth research questions dealing with successful activities and tools, and the usefulness of performance surveys.

6.1 Situational and Organizational Factors, Decentralization and Delegation

The study results of this section are discussed according to the corresponding 11 criteria displayed in Figure 25. This section is organized in the order of the classification criteria identified in the analysis framework developed from literature earlier. Where applicable, the different sales teams have been categorized individually in accordance with them. The individual influence factors identified by the respondents are discussed along with the criteria we respectively found most fitting.

An overview of the cross-case analysis for situational and organizational factors as well as improvement activities can be found in Annex 5. Respondents pointed out *subsidiary size and business priority, traditional SBU orientation of the individual subsidiaries, brand awareness and market share, market life-cycle, language barriers, cultural differences between the headquarters and the individual subsidiaries, other contextual difficulties, central innovation performance, privileging of the domestic market* as important situational influence factors impacting on strategy implementation. Concerning the respective organizational factors they identified *local autonomy, delegation and sanctioning, impact of delegation on global strategy, fighting over resources, short-term and risk-averse local strategies, influence of central managers on local strategies, central managers' credibility, inconsistencies between different divisional policies, global cost and profit issues, sales management practice, staff turn-over and loyalty.*

Sales and Marketing Units								
Criteria	1	2	3a	3b	4	5a	5b	Impact
international organization Galbraith and Kazanjian (1986)	matrix							conflict between global efficiency and local adaptability
international structure Bartlett and Ghoshal (1998)	global							
headquarter - subsidiary relationship Malnight (1996)	decentralized							highly divisionalized structure allows decentralized local organizations to avoid individual SBUs
control mechanisms Ouchi (1979)	clan	clan	bureaucratic		bureaucratic	bureaucratic		inconsistency between global structure and decentralized control global strategy is defined by the 'survival of the fittest SBUs'
control strategy Ouchi (1979)	output							
investment initiative Birkinshaw and Hood (1998)	parent driven investment	parent driven investment	subsidiary driven disinvestment	subsidiary driven disinvestment	subsidiary driven investment	maintenance of status quo	maintenance of status quo	headquarters decide on the amount of investment, local management decides on which SBUs to invest in
subsidiary strategy Jarillo and Martinez (1990)	active	receptive	active	active	receptive	receptive	receptive	strategic choices strongly influenced by general managers prior career experience short term and risk-averse local strategies
subsidiary marketing organization types Homburg et al. (2012)	champ	champ / dependent	champ		implementer / aspirant	champ / dependent		subsidiary taxonomy useful in simplifying and objectifying performance evaluation
subsidiary marketing operations performance types Grewal et al. (2009)	world-class operation	miner	poor operation	poor operation	prospector	average operation	average operation	necessary headquarters / subsidiary as to perform mining or prospecting strategies
cultural dimensions Hofstede (1983)	low power distance	high power distance	low power distance	low power distance	high power distance	medium power distance	medium power distance	subsidiaries with high (low) power distance require top-down (bottom-up) implementation of strategies

Figure 25: Analysis Framework for Situational and Organizational Factors

6.1.1 International Organization, Structure and Control

HospiMed and SurgiSupplies sales are organized in an international matrix structure. The disciplinary organizational power lies with the subsidiaries with their general managers typically reporting directly to the HospiMed international board of directors, sometimes via an intermediate regional structure. The divisional influence is maintained by a centralized

management of strategic marketing, R&D and manufacturing.

Bartlett and Ghoshal (1998) have defined four types of international structure. The multinational structure is seen as typical for prewar European family owned businesses, where owners delegated '*operating independence to trusted employees sent to manage offshore subsidiaries*' (Bartlett and Ghoshal, 1998: 56). The multinational structure is defined by decentralization of assets and responsibilities, control based largely on personal relationships and largely independent operations of subsidiaries. The international form also has independent subsidiaries, but they depend on the technologies, products and organizational knowledge from the mother company while keeping their independence as to which products and strategies are most suitable for their country. Global structures centralize assets and responsibilities, and the role of the subsidiaries is reduced to sales and service. The transnational structure is defined by a specific organizational culture and mind-set that allows international managers to permanently judge and balance the needs for global efficiency with the needs for local adaptability.

With products being largely developed by and distributed from facilities in the domestic country and manufactured in world-scale factories in few countries, SurgiSupplies international structure can be best categorized as global. On the other hand, the control mechanisms sometimes seem to still echo an organizational heritage of earlier days, when subsidiaries were managed very independently and mostly based on personal relationships. One of the local general managers recalls that in the early days of internationalization of SurgiSupplies there was an almost total local autonomy as the mother company had not yet developed any know-how as to how to manage foreign subsidiaries.

Headquarter-Subsidiary Relationship

As the subsidiaries have a very high level of autonomy, the headquarters – subsidiary relationship at SurgiSupplies can be described as decentralized (Malnight, 1996). This seems to be a deliberate long-term strategy of the top

management. The difficulty for individual central SBU managers lies in the fact that with the large number of divisions and SBUs the local managers have a certain amount of freedom that allows them to avoid one or several product groups and the central organizations and managers that are respectively responsible for them. While the subsidiaries are obliged to sell the world products provided by the central divisions, the large variety of product lines provides them with a high degree of liberty to design their own marketing and sales strategy. In choosing or changing their SurgiSupplies product foci, they do not necessarily consult with or follow guidelines of the divisional headquarters. This leads to a situation where strategic product focus risks becoming a random result of the decisions of local managers, particularly for minor product groups, or product groups that face momentary difficulties.

The divisional headquarters sometimes seemed to fail in consequently establishing central guidelines throughout the world-wide organization. This might have led to a lack in clarity of intended matrix roles and unwanted additional power-imbalance in the headquarter-subsidary relationships (Goold and Campbell, 2003). Even though the theoretical advantages of the matrix organization form are understood, some managers believe that the clear decision structure of a line organization would suit their development goals better and lead to a better acceptance of the central goals in the subsidiaries. Several of the '*Matrix pathologies*' described by Davis and Lawrence (1978) could be identified (e.g. power struggles, decision strangulation) however these seem to prevail within the headquarters in the product development and industrialization process, rather than in the relationship with the subsidiaries. The impact on the headquarters – subsidiary relationship lies in the fact that the credibility of central managers is compromised, as they cannot fulfill their promises of making innovations available as planned. In country 1 for example, the local sales organization seemed to become complacent while waiting for delayed innovations, using this fact as a universal excuse for low performance. Local SBU 1 managers from country 1 as well as central managers believe that the matrix organization and an over-developed bureaucracy at the divisional

headquarters level are at least partially responsible for the slow development of new products. This has a very important negative impact, as SBU 1 product life-cycles are judged to be particularly short-lived, requiring a close communication between central and local and a high reactivity.

Control Mechanisms

MNCs can generally rely on the market principle, bureaucratic principle or the clan principle for control. As the local subsidiaries are largely independent in their decision as to what product lines they would like to adopt and invest in, SurgiSupplies seems to be relying at least to a certain extent on the market principle, in the sense of '*survival of the fittest SBUs*'. Central SBU managers are competing for the attention and favor of the local managers to invest in their respective product lines. Subsidiary managers need to analyze their local market place and decide on the product portfolio that will allow the best return on investment in their specific environment. Generally speaking there seems to be a feeling among central managers of permanently needing to persuade and convince the countries to cooperate by offering them value, services and resources, always risking being taken advantage of and doing their job for them. Interestingly, the subsidiary managers seem to present themselves to the central manager more like the buying center of an external customer than as an aligned sub-group of the same organization.

Local managers widely appreciate the decision making latitude they are allowed by the headquarters and they believe it to be justified by their intimate knowledge about local differences concerning sales opportunities for different product groups, sales channels, legal restrictions etc. The management control system of SurgiSupplies is particularly vulnerable to a high staff-turn over, such as typically exists in some emerging markets. On the one hand, with the high degree of divisionalization, local teams are often very small and central managers can lose a large portion or even all of their local contacts when there is fluctuation among local managers. On the other hand, as the control system relies more on long-term personal relationships than on formalized reporting relationships, it takes a long time to reestablish

lost successful contacts.

It is very important to distinguish the level at which control mechanisms are applied within the MNC: the control systems within the headquarters, the control system within the subsidiary and the control system between these organizations, that we have described above. At the headquarters-level, SurgiSupplies to us is best described as a type Z organization, according to Jaeger (1983) or by clan control (Ouchi, 1979), featuring informal control but with formalized measures, long-term employment, consensual decision making but individual responsibility. This however is not necessarily the case at the level of the subsidiaries. Country 2, e.g. shows strong characteristics of a type J organization, with life-time employment, implicit and informal control and collective responsibilities, and there are other examples of type A bureaucracies with short-term employment and very explicit, formalized control (Jaeger 1983: 93). The local subsidiary control system thus does not seem to be determined by the MNC but by the local culture and the local managers. Central managers who have never worked in subsidiaries might be unaware of these differences which can potentially result in misunderstandings.

Control Strategies

As has been discussed at length earlier, control strategy can be based on output control, behavior control or socialization mechanisms. Control at the headquarters of SurgiSupplies seems to be marked by shared values, taking pride in working for the company and a high level of delegation and a low incidence of sanctioning in case of underperformance. These values are also communicated to local top managers by central top managers (country 2) and understood by these (examples in countries 1, 3 and 5). The system thus seems to show strong elements of clan control (Ouchi, 1979) and seems to lead to a high level of employee satisfaction and loyalty and a low staff turnover rate, also in the domestic sales force (country 1). On the level of local sales people in country 1 however, the principle of output control seems to be prevailing over different organizational levels, as sales leadership is seen as depending very much on the personality of individual managers and a large

amount of independence is granted on the basis of mutual trust to individual sales people as long as their overall results are acceptable (Anderson and Oliver, 1987: 77).

There is a wide consensus between central and local managers, that management control at SurgiSupplies is different to its American competitors. These are believed to be marked by strong central strategic directives which might be interpreted as elements of behavioral control and at the same time high pressure on short-term financial outcomes with strong sanctioning mechanisms, such as eliminating under-performers, and thus elements of output control (Anderson and Oliver, 1987). Participants of country 1 for example believe that in competitors' companies, which are usually American based publicly traded corporations, there is tighter management control with less liberty for the employees, more sanctions, higher variable income proportions and higher staff turn-over. The local managers in country 1 seem to strongly prefer the company culture of their own company to those of competitors. It seems to be based on common values and enjoying and taking pride in working for this company.

The sales managers in countries 1 and 3 both state that they believe in independent decision making and output control for more senior sales people, typically in implant related businesses, while seeing behavior control more appropriate for less senior sales people, typically employed in less complex product groups.

Egelhoff (1984) predicts a tendency for output control for US companies and a tendency towards behavioral control for European countries. In our case, US companies are perceived as using mechanisms of output control, such as high variable income structures probably explaining at the same time a higher staff turn-over, as non-performers will face diminished financial rewards and consequently might leave the company. On the other hand, US companies are also seen as having tighter enforcement of global strategies, which could be interpreted as elements of behavioral control. The members of the European marketing and sales team studied in country 1 on the other

hand, be they in the central or in the local domestic sales organization, seem to be guided more on the basis of common values with a lot of personal empowerment, which could rather be explained by clan control than output or behavioral control (Ouchi, 1974).

The fact that the only European competitor in SBU 5b is perceived as behaving more like SurgiSupplies than like the American companies hints at a regional cultural background to this observation. On the other hand the fact that HospiMed and SurgiSupplies are privately owned and not publically traded companies might explain the fact of being more long-term oriented.

In summary, the conflicting interests between global efficiency and local adaptability are difficult to resolve due to an inconsistency between the global structure and strategy and the decentralized control system, the global strategy risking to be defined by the '*survival of the fittest SBUs*'. In order to further improve on these conflicts, SurgiSupplies could either adapt the control system to the global structure by installing tighter control of the subsidiary managers or further invest in the development of a transnational company culture that enables international and local managers to find compromises for balancing the need for global scale and global efficiencies with the need for local adaptability.

Investment Initiative

Birkinshaw and Hoods' theory (1998) describes the internationalization of a company as a stream of investment decisions concerning different countries. While the overall amount of money that should be invested in a country at SurgiSupplies can be controlled by central top-managers, the decision in what specific areas to invest is largely left to the subsidiaries. As the objective of central SBU managers is to ensure the global success of their respective product lines, they permanently try to convince local managers to invest additional resources in them. They are risking to enter an '*arms race*' with other central managers with their lobbying activities, wasting central and local resources alike, given the high degree of divisionalization with 7 SBUs at SurgiSupplies alone. On the other hand the local managers are required to

allocate their investments to the best investment opportunities. The competing offerings from different SBUs at the headquarters put them in a powerful position. The reasons for their final investment decisions often remain ominous to the central managers.

While overall divisional financial objectives for subsidiaries are set by top matrix managers at the headquarters' board level, the way these objectives are broken down into individual SBUs and product groups is largely left to the local managers. In country 4, e.g., even after lengthy discussions involving central and local top-managers the final decision was that the local organization had to deliver a fixed financial result, but could decide for themselves what SBUs to invest in at what level. The parent-driven investment decision thus defines how much to invest in each region, while the subsidiaries decide how much to invest in each division or SBU.

In two of our countries there is a clear negative effect of decentralized decision making on global strategy. In country 2 it took many years to establish one of the core global initiatives of SurgiSupplies with a less than satisfactory result, due to a lack of local investment and resistance at lower hierarchy levels. The local managers in country 3 decided to disinvest in one of the two core businesses of SurgiSupplies, completely contradicting global strategy. With their more directive approach to management control of subsidiaries, as opposed to SurgiSupplies, American companies are believed to be capable of quick and complete global roll out of corporate initiatives such as global product launches. A more general example is given for the roll out of a 'block-buster' product in SBU 3a, where the quality and the investment in market launch activities varied largely from country to country, compromising the world-wide role-out.

6.1.2 Subsidiary Strategy

According to Jarillo and Martinez (1990) the strategy of a subsidiary can be active, receptive or autonomous depending on the degree of integration into the MNC and the degree of localization of activities. The degree of localization measures the number of value chain activities that are

performed. Pure marketing and sales organizations are considered to have a low degree of localization. Although they might carry out other value chain activities for other divisions, all 4 international subsidiaries viewed in our study are mainly focused on marketing, sales and service activities. Even distribution is being more and more centralized, as products are mostly being shipped directly to the end-customers from the central warehouses in the domestic country. The degree of localization can thus be considered as low. The degree of integration is measured by how many value chain activities are being performed autonomously or in a way that is integrated with the mother company and the other subsidiaries. The degree of integration of marketing and sales activities varies largely in the organizations we have analyzed. In the domestic country as well as in country 3 it seems rather high, and it seems to get lower with a higher cultural and geographical distance. Specifically, central managers have referred to the one Asian subsidiary studied as a '*black box*'. Generally speaking, however, the international SurgiSupplies organizations can be classified as '*receptive*'.

Prior experience of local top managers

Interestingly, the choice of local business foci seems to be strongly influenced by the former career path of the local managers. The four divisions of HospiMed and even all seven SBUs of SurgiSupplies are serving distinct market segments with specific competitors and specific customer side buying centers. Top managers of HospiMed subsidiaries are unlikely to have personal career experience in all of these different fields. Participants in countries 1, 2, 3 and 4 are under the impression that prior experience of these managers has an important impact on their investment decisions in these respective areas. Interestingly participants speak of '*personal beliefs*' or even '*religious confessions*' when talking about the SBU orientation of individual managers. But it is not only the managers' habits that are difficult to change. In case 2, once the general manager had been convinced of a central initiative, it then still took years to convince the lower hierarchy levels, as they had no prior experience with the new program and did not believe in it.

Central managers do not seem to have difficulty in gaining a common understanding with local managers who are themselves experts of the same product group. Delicate situations can arise when the local managers are not sufficiently empowered and their bosses are not familiar with their particular business.

Impact of delegation on local strategy

The high level of subsidiary autonomy makes it difficult for functional matrix managers from the central divisional headquarters to develop global strategies and enforce them in the subsidiaries. Although the organization is defined as a matrix, the organizational power in the sales function lies largely with the country organizations, sometimes privileging local responsiveness over global business integration needs (Prahalad and Doz, 1987: 172). One of the central managers pointed out that global strategy became a random sum of local strategies.

Particularly when subsidiaries are showing overall satisfactory sales growth and profits, there often will be no critique or sanctions for the neglect of world-wide strategies or individual strategic product groups. This corresponds to the non-centrist approach described by Gestetner (1974). The country subsidiaries have the same hierarchical and decision making status as the domestic sales force and are only '*subject, ..., to minimal central control. ... , and, provided a satisfactory growth in profit and return on investment continues, the head office maintains a policy of non-interference.*' (Gestetner, 1974: 103). While it needs to be reminded that the local sales team in country 1 is operating in the domestic market of the MNC, the central managers seem to find the same, maybe even a higher autonomy in international sales organizations.

Short-term and risk-averse local strategies

Generally speaking the local strategy seems to be more short-term and the central strategy more long-term oriented. This is in line with the prediction by Anderson and Oliver (1987) that output control leads to the prioritization of

short-term sales objectives over strategic goals.

A problem might lie in the fact, that strategies are not pursued in a sustainable way, as local organizations turn their focus and resources to other product groups quickly when new opportunities come up or when obstacles arise. The central sales manager in country 4 had the impression that there was no defined strategy in the subsidiary at all, but that the managers were only reacting to short-term market opportunities. The same manager speculated, that in emerging markets with multitudinous growth opportunities, maybe long-term market strategies were less important. One SBU manager pointed out that when there were promising new products in other SBUs, local managers sometimes reallocated their SBU's resources to these products, leading to a short-term positive effect as the new products could be sold additionally, but to a mid-term problem, as the traditional product group sales then started to decline.

Generally speaking it seems to be easier and less risky for local subsidiaries to develop minor market shares in additional products, than to focus on certain strategic product areas and to consequently develop market shares there. Also, local managers seem to want to satisfy as many central managers as possible, by giving them '*a little piece of the cake*' in order to have a large base of supporters of their own personal career at the headquarters. Another point brought up by a central manager was that subsidiaries sometimes do not allow for sufficient time to reach return on investment and abandon already engaged investments too quickly.

6.1.3 Subsidiary Marketing Organization and Performance Types

Organization Types

In their taxonomy of international marketing subsidiaries of MNCs, Homburg et al. (2012) have found 5 clusters according to the cluster criteria '*structure*' (age, size, value-added scope), '*strategy*' (strategic importance, influence

and competence), ‘*environmental conditions*’ (market, customer, MNC), ‘*region*’ and ‘*industry*’. Saturated administrators are older subsidiaries in stable market conditions. Universal champs perform numerous value adding activities successfully on a large scale. Important dependents are strategically important but are closely managed from central headquarters. Promising aspirants are smaller subsidiaries with a lot of strategic freedom in ethnocentric countries and flexible implementers are young, small subsidiaries responsible essentially only for sales and marketing. We have categorized the country 1 organization as ‘*universal champ*’ as it centralizes all value adding activities on a global scale. Without performing a detailed analysis of Homburg et al.’s criteria for the 5 marketing and sales organizations in our study, we have made rough estimations and matched them to the stereotypes proposed by the authors (Figure 26).

1=high 2 = medium 3 = low	Sales and Marketing Units							Homburg (2012) Subsidiary Types				
	1	2	3a	3b	4	5a	5b	admini- strators	champs	depen- dents	aspirants	imple- menters
age	1	2	1	1	3	1	1	1	1	2	3	3
size	1	1	2	2	3	2	2	2,5	1	2	2,5	3
scope	1	2	2	2	3	3	3	1,5	1	1,5	2,5	3
influence	1	3	2	2	3	2	2	1,5	1	1,5	2,5	3
competence	1	2	1	1	3	2	2	3	1	3	2	3
importance	1	1	2	2	1	2	2	3	1	1	2	2
market dynamics	2	3	2	2	1	2	2	3	2	2	1	2
market growth	3	3	3	3	1	3	3	3	2	1	1	1
GDP	1	1	1	1	1	1	1	3	1	2	2	2
population	1	1	1	1	1	2	2	3	2	2	2	1
GDP per capita	1	1	1	1	3	1	1	3	1	2	2	2
customer	3	1	3	3	3	2	2	1	2	2	1	3

Figure 26: Subsidiary Organization Types

We achieved this by subtracting the case values from the stereotype values, summing up the positive absolute values and selecting the stereotype with the smallest sum. In our rough estimation we omitted the criteria concerning the MNC as a whole, as the values are the same for each subsidiary and therefore do not add to the internal comparison within a single MNC. This resulted in subsidiaries 1, 2, 3 and 5 being classified as ‘*universal champs*’

and subsidiary 4 as flexible implementer. While the result was rather robust for subsidiaries 1 and 3, subsidiaries 2 and 5 also reasonably well matched the category '*important dependents*' and subsidiary 4 the category '*promising aspirants*'. Homburg et al. have compared their stereotypes to performance outcomes and found that '*universal champs*' scored high for marketing effectiveness and efficiency and for profit margins while '*flexible implementers*' score only high for marketing effectiveness and low for all other performance measures. We judge this to be coherent with our cases and conclude that this taxonomy might indeed be helpful in simplifying and objectifying subsidiary performance evaluation. On the other hand it needs to be pointed out that the rough analysis did not allow to come to clear and meaningful conclusions with this method.

Performance Types

Grewal et al. (2009) see the first goal for subsidiary to create market assets in the form of brand-awareness, a base of industrial customers and sales outlets. These assets support the second goal, achieving market yield in the form of sales, market share and profits. Depending on their success in creating market assets and market yield they identify subsidiaries as miners, prospectors, world-class operations and poor operations. Different situational aspects such as competitive and regulatory environment as well as market maturity need to be taken into account during the assessment, and more mature markets might require yield strategies while younger markets may require asset-building strategies. In Figure 27 we have rated the investigated sales and marketing units by their achievements in terms of market asset creation and market yield, according to performance figures and interview results. Each country organization is facing individual specific competitiveness issues. In country 1 they are struggling with the innovative potential of the product line, in country 2 with country specific demand, in country 3 with price competitiveness, in country 4 with logistic problems and in country 5 with an economic crisis. Additionally there are specific SBU related issues. SBU 1 seems to encounter bureaucracy and matrix problems at the headquarters R&D level, SBU 2 is struggling with the known problems

of teaching a product sales force how to sell services (e.g. Reinartz and Ulaga, 2008), in country 3 there is a subsidiary driven reduction of investment, by combining two underperforming sales teams as well as price competitiveness issues, country 4 is encountering emerging market dynamics and particular supply chain issues and country 5 has a particularly strong impact on local dealers on the business.

Country	1	2	3	3	4	5	5
SBU	1	2	3a	3b	4	5a	5b
country specific context	innovative market	culturally distant market	price competitive market		emerging market	economic crisis market	
SBU specific context	headquarters matrix problems	solution selling know-how	combining two sales forces		supply chain issues	dealer market, resource allocation	
total country ranking	1	3	7	7	11	8	8
SBU country ranking	2	4	28	24	13	9	8
SBU total sales 2011 (1 000 Euros)	13.619	13.092	1.255	1.926	3.335	2.641	2.669
SBU growth 2011 (%) currency adjusted	3%	9%	-1%	12%	16%	-2%	-18%
3 years SBU growth (%) currency adjusted	28%	20%	9%	-6%	63%	1%	-3%
marketshare	7%	19%	1%	1%	6%	16%	14%
marketgrowth 2011	-1%	1%	2%	3%	7%	-6%	-4%
average 3 years growth / market growth	11%	5%	1%	-5%	14%	-5%	-4,5%
growth rank	2,00	3,00	4,00	2,50	1,00	6,00	5,00
market share rank	4,00	1,00	6,50	6,50	5,00	2,00	3,00
average rank	3,00	2,00	5,25	4,50	3,00	4,00	4,00
Market Maturity	high	high	high	high	low	high	high
Market Asset Creation	high	low	low	low	medium	medium	medium
Market Yield	high	very high	very low	very low	high	low	low
Subsidiary Performance Type	world-class operation	miner	poor-operation	poor operation	miner / world-class operation	mediocre / poor operation	mediocre / poor operation

Figure 27: Subsidiary Marketing Performance Types

In their performance evaluation system, Grewal et al. account for the specific environment of each country by having a number of different managers rate the level of competitiveness and the level of regulation of a given market between 0 and 100 points. In view of the real-life complexity and incommensurability of each country and SBU situation, it could in our opinion be a difficult task to produce useful data with such a system.

Neither of the investigated sales units in our study has achieved a market leading position, so the ratings are relative compared to other SurgiSupplies subsidiaries. In country 1, the domestic market, brand-awareness and sales coverage is high and absolute sales levels are high, but with moderate market shares. This thus can be called a world-class operation in the terms of Grewal et al. However, sales have been stagnating lately and with the high market maturity, the cost of gaining incremental customers is high. The bureaucratic matrix organization as well as coordination difficulties between two R&D departments in two different countries, paired with overall limited dedicated R&D capacities for SBU 1 due to the high level of divisionalization, has lead to difficulties in competitiveness. SurgiSupplies is too slow in launching new products according to latest market trends. Strategy implementation in country 1 is good, as the strategy is developed in a well-coordinated way. Long-term personal relationships and regular structured and unstructured meetings between central and local managers are the basis of this coordination. In country 2 market shares and sales are comparably high, but brand-awareness is low, indicating a mining strategy. As this is a very big and important healthcare market, central managers are trying to encourage a prospecting strategy with their 'total solution' program, in spite of the high market maturity. In country 2, local managers were under the impression, that the 'total solution' program that had been developed in SurgiSupplies' domestic market where the company has a very strong competitive position, had difficulty in country 2 because the brand was not established strongly enough to convince customers of this innovative offering. While central managers in the end acknowledged this as a possible reason for the slow progress, local managers believed that central managers were not sensitive enough concerning the specific local situation. Locally adapted products for SBU 2 and also other SBUs had been developed in the past, with mixed success. The local subsidiary has been pursuing a yield strategy, while the headquarters wanted them to continue building up market-assets. The central initiative to implement the 'total solution' program met a lot of resistance and could only be advanced very slowly. This is due to a lack of trust between the two organizations, cultural and language barriers and a general lack of disciplinary power of the divisional headquarters. In

country 3 sales, coverage and number of customers are low in the investigated product groups, indicating poor operations. The local subsidiary failed to put sufficient investment to develop a sustainable market position in SBUs 3a and 3b. This resulted in poor operations and eventually in a subsidiary initiated disinvestment. This is remarkable, as SBU 3b had been declared a core business with defined objectives of developing market share for all subsidiaries. In this case, the contradiction between local and central objectives becomes most obvious: the local management focused investment in product groups who promised the best return on investment in their country's environment, irrespective of the global strategy.

Grewal et al. point out the importance of recognizing the specific competitive environment. One might suspect that the failure in SBU 3a was mostly due to SurgiSupplies' overall incapacity to compete in this particularly price sensitive market, this possibility was however not sufficiently acknowledged by the central managers, who rather blamed the local management. Country 4 is an emerging market and the subsidiary is at the verge of becoming a world-class operation. The results from country 4 showed that headquarters was not able to decide, where to invest limited resources and had to delegate the investment decision to the subsidiary managers. Also it showed that even productive help from the headquarters in the sense of creating new customer opportunity is not necessarily appreciated and exploited at the subsidiary, if there is no local commitment. Country 5 has visible market shares but poor growth. With a moderate brand-awareness they can be called a mediocre to poor operation. With the CombiTeam project, the local team is trying to get the critical mass to improve market asset creation and market yield simultaneously, an ambitious task. The results from country 5 showed how competing SBU structures at the headquarters level are influencing subsidiaries to move investments from one SBU to the other.

Overall we judge Grewal et al.'s method as very useful for the evaluation of subsidiary performance and strategy.

6.1.4 Cultural Dimensions

Of Hofstede's original 4 cultural dimensions, only power distance seemed to be of major concern to the interviewees. Power distance ratings according to Hofstede (1983: 52) for countries 1 and 3 are identically low, for country 5 they were higher and for country 2 still higher. Country 4 was not part of Hofstede's study. A higher power distance can be associated with less empowerment of lower hierarchies. Imbalance in empowerment seemed to have an impact on the relationship of central managers and local staff in our study. While central SurgiSupplies managers have a lot of decision making freedom, local managers, top managers aside sometimes seem to have very limited decision making power and thus cannot make binding agreements with central managers. This is unsurprising, given the cultural differences, e.g. of more archaic Asian countries and the finding, that local management style at SurgiSupplies is left to the personality of the local managing directors.

Steyn et al. (2011) describe how at the Daimler Chrysler subsidiary in South-Africa, despite managers' perception that they were balancing authoritative and participative communication, and that they understood the need for staff members to feel empowered and proud of their company, staff members in reality did not feel that way. They were under the impression that it was 'them versus us' and they expressed a strong need for more belongingness, recognition and involvement in decision-making (2011: 136-137). The authors recommended the implementation of a formal internal communication framework, symmetrical communication between staff and managers, and active aid by the company for managers who lack interpersonal communication skills.

We believe that this inconsistency in management cultures can lead to specific problems in strategic implementation at lower hierarchy levels of the matrix, when 'empowered' central managers encounter 'non-empowered' local managers. First of all, central managers might not be aware of the local power situation and expect too much independence in implementation from their direct counterparts, who on the other hand might be reluctant to reveal

their lack of power to them. If the central manager is aware of the situation, they need to clearly understand the local decision making process (e.g. bottom-up or top-down) to approach all managers involved in the correct order.

Cultural differences impacted on the relationship between headquarters and subsidiaries firstly, because central managers had difficulties in understanding the language and communication style of local managers and thus their true intentions. This problem was by definition absent in the domestic country 1. It also seemed absent in country 3 where there were no language difficulties and cultural closeness to the domestic country is given. As the geographical and cultural distance increased in the order of countries 5, 4 (Eastern Europe) and 2 (Asia), these issues became more predominant. Language difficulties still seem to be an important obstacle to central management control of foreign subsidiaries as was documented in countries 2, 4 and 5. This leads to difficulties in communicating between managers (country 2 and 4), lengthy translation efforts (country 2) and general difficulties for central managers of being able to collect first hand market data from customers and sales people. They then cannot challenge filtered information provided from local managers.

In their introductory article to a 2011 special edition of the Journal of World Business concerning 'language-sensitive research in international business and management', Piekkari and Tietze find that concerning this topic area 'despite few exceptions (e.g. Tietze, 2008) there is still little common thrust in developing research agendas and in informing managerial practice.' (Piekkari and Tietze, 2011: 267).

Piekkari and Welch (2010) point out that different theoretical perspectives of the MNC treat language in different ways. The theoretical perspective focusing on organizational design views language standardization as instrumental for top management in managing the MNC. The network perspective, that views the MNC as a network of actors driven by 'context rationality' rather than 'economic rationality' views language as a tool to fulfill

relational requirements. The institutional perspective views language as a 'source of institutional pressure and legitimacy' (Piekkari and Welch, 2010: 469). The critical perspective, that postulates irrationality of organizational members, has the paradoxical view of language as being both powerful, in the sense of dividing organizational members into groups and elevating individuals' organizational influence, and at the same time powerless, as studies have shown that attempts to standardize language in organizations frequently fail.

A study of 8 German and Japanese company headquarters and their respective foreign subsidiaries in Japan and Germany by Harzing et al. (2011) analyzed if there were language barriers between headquarters and subsidiary managers, and what solutions were used to resolve them. 42 out of 44 interview respondents indicated that language barriers were indeed present. Methods to resolve these barriers could be found in informal day-to-day solutions (such as building redundancy in communication, adjusting the mode of communication, or frequent switching of languages during meetings) the use of bridge individuals (such as bilingual employees, expatriates, inpatriates, non-native locals and parallel information networks) and in structural solutions at the organizational level (such as the definition of a corporate language, machine translation, external translators and language training).

In their survey of 119 general managers of subsidiaries of MNCs in Finland and China, Björkmann and Piekkari (2009) studied the influence of subsidiary language skills on corporate control mechanisms. They found that lower competence in the corporate language was associated with more centralized control in strategic decision making and more formalized control. They found no influence of language competence on the level of output control and control by socialization, indicating that language competence was a construct distinct from cultural distance.

Marschan-Piekkari and Welch (2004) point out that, while international business studies traditionally have been largely carried out in the Western

World and by Western researchers, it cannot be assumed that the research methods that have worked there can necessarily be used in other parts of the world without adaptation (Marschan-Piekkari and Welch, 2004: 9). Their 'Handbook of Qualitative Research Methods for International Business' thus features articles from various authors around the ongoing debates on 'contextualisation of the research process; design and management of cross-national collaborative research; rethinking current and alternative research methods; and the quality, codification and publication of qualitative research.' (Marschan-Piekkari and Welch, 2004: 8). An obvious example given for necessary contextualization is political violence and physical danger in certain countries, where respondents are afraid of repercussions. Another example is given by MNCs with complex multinational and highly political headquarters – subsidiary relationships.

Design issues in international business are identified by the frequent necessity for translation and different national attitudes towards the practice of interviewing. As a response to the above difficulties, some researchers are calling for the extended usage of qualitative methods beyond the explorative purpose, e.g. for theory testing, and entirely different approaches, research paradigms, techniques and epistemological and ontological stances, such as postmodernism, postcolonial theory, critical theory, ethnography, hermeneutics and discourse analysis (Marschan-Piekkari and Welch, 2004: 13-15).

6.1.5 A Model of Manufacturer – Distributor Relationship

Although the model by Homburg et al. 2002 was created to describe the relationships effectiveness for manufacturers with independent distributors, it seems to describe the relationships between SurgiSupplies' headquarters and their local sales and marketing organizations quite well. The relationship effectiveness for the manufacturer is positively influenced by cooperation, but negatively by higher distributor (subsidiary) power. Cooperation is positively influenced by perceived similarity and participation of the distributor in

decision processes. This is a dilemma, as participation in decision processes at the same time positively influences distributor (subsidiary) power (Figure 28).

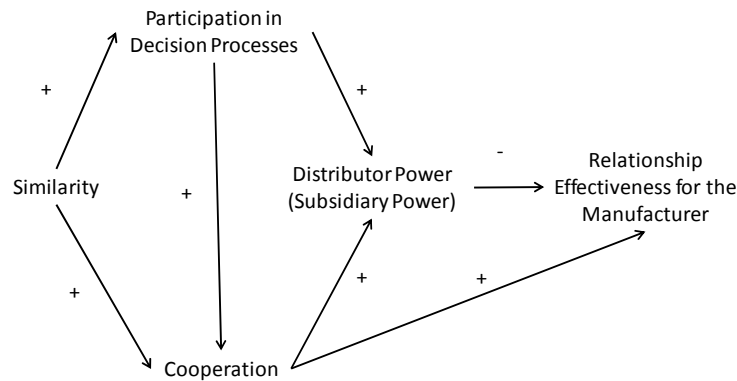


Figure 28: Manufacturer - Distributor Relationship Effectiveness

(Homburg et al., 2002)

As described above, it seems like the competition of the numerous SBUs, paired with the absence of disciplinary control has led to a relationship that is rather marked by a market mechanism than a bureaucratic control system and thus resembles a manufacturer – distributor relationship. The categories ‘similarity’, ‘distributor power’ (in our case ‘subsidiary power’), ‘participation’ and ‘cooperation’ categorize well many of the contributions we gathered from our interviews (Figure 29).

Homburg et al. (2002) defined similarity in terms of price and quality positioning, marketing and sales orientation and organizational culture. Participation refers to the operational and strategic decision making process in all aspects of marketing and sales, such as products, advertisement, budgets, staff, after-sales service etc. Cooperation is defined in mutual problem solving, development of ideas, target definition, etc. as well as open communication about pricing and costs. Relationship effectiveness is defined in terms of achievement of sales goals, growth contribution, new product development, overall performance etc. (Homburg et al., 2002: 23).

Participant Observation	Category
different empowerment level of local and central managers small subsidiaries can have different corporate culture than large headquarters long-term personal relationships compatriotes, expatriates help for relationship building dissimilarities in competitive position lead to misunderstanding and blame language problems empowerment differences in different cultures communication differences in different cultures development of many small local activities -> risk averse strategy vs. risk favoring strategy experienced local managers vs. inexperienced central managers top managers are knowledgeable in certain SBUs and prefer them from prior experience clan control vs. - bureaucratic control internal HQ performance more important for successful local teams short-term business orientation of subsidiaries vs. long-term orientation of the European HQ	similarity similarity similarity similarity similarity similarity similarity similarity similarity similarity similarity similarity similarity
large subsidiaries self-sufficient and self-confident via headquarters product performance more important for local teams with higher market share intransparency of local goal setting uncoordinated central SBU activities are 'spoiling' of the local managers obsessive corporate planning and control; local managers don't report true intentions behavior control on an SBU level; output control on a country level	subsidiary power subsidiary power subsidiary power subsidiary power subsidiary power subsidiary power
central capacities too small to deal with a large number of subsidiaries international meetings too big to allow exchange convince local hierarchy top down buy-in from all hierarchy levels approve local activities communication of central strategy envy of domestic activity	participation participation participation participation participation participation participation
local field support lacking process and role definition undermines local acceptance of central managers creating light-houses	cooperation cooperation cooperation

Figure 29: Participant Observations Organized in Categories

categories proposed by Homburg et al., 2002

The criteria used for '*relationship effectiveness*' by Homburg et al. are quite similar and overlapping with the criteria for '*sales force effectiveness*' used by Zoltners et. al. (2008), both papers mostly referring to sales output criteria, such as growth rates, target achievement etc.. The definition of Homburg et al.'s relationship dimensions is not identical to our observations but strongly overlapping. The international cultural aspect e.g. was not part of the definition of '*perceived similarity*', however we think that it is plausible to extend it in this direction. '*Perceived similarity*' in our context can be found in cultural aspects, such as power distance, language and communication, personal background, former SBU and product experience but also in personal relationships, as perceived similarity should increase in relationships over time. '*Distributor (subsidiary) power*' has been very clearly

pointed out as an obstacle to central control by central managers. Large subsidiaries are seen as being more self-confident and self-sufficient, more secretive about their local goal setting and strategic intentions and subsidiaries with higher market shares are more openly critical about headquarters' strategies and performance. *'Participation'* is also an issue that was brought up by many study participants. Many subsidiaries suspect that SurgiSupplies determines its global strategy mostly in cooperation with the domestic sales force in the domestic market and they strongly wish for more participation in these strategic decisions. Central managers on the other hand often manage communication and discussion about future strategic orientation in large meetings, where the possibilities for taking influence are low for individual local managers. This is partly due to the problem of managing the sheer number of different local organizations; on the other hand it may indeed be a strategy to limit the strategic power of individual subsidiaries. In our cases, sales organizations 1 and 3 have a strong perceived similarity, good cooperation and, arguably, good relationship effectiveness from the manufacturers point of view. For countries 4 and 5 and even more so for the Asian country 2, perceived similarity is lower and cooperation is more difficult, specifically for country 2. Here, also, central managers would probably see the relationship effectiveness more critically.

Similarity: Long-term personal relationships

'...in a cultural control organization one would expect the interactions between the headquarters and subsidiaries to be weighted in favor of personal contacts such as visits and telephone calls. In a bureaucratic control organization one would expect a greater usage of company manuals, and a higher degree of impersonal communication in the form of written reports ...'
(Jaeger 1983: 95)

The successful cooperation between central and local managers is mostly attributed to their long-term personal relationships in all three Western European countries (1, 3 and 5). The importance of frequent personal contact, email aside, is pointed out.

It might not be a coincidence that personal relationships were not brought up as an important factor in the Eastern European and the Asian country. Maybe due to the cultural distance such relationships are more difficult to establish.

The central managers believe that their possibilities to influence the local organizations depends largely on their personal relationships with individuals. Since the development of such relationships often takes many years, a high staff turn-over can lead to great difficulties in establishing central management control. The product group of country 1 could not be launched at all in some countries because it was impossible to build up any kind of sustainable customer relationships due to staff turn-over. On the other hand the good cooperation between central and local managers in country 1 is seen as linked to the particularly low staff fluctuation rate. Although this finding concerning this negative correlation between staff turn-over rate and headquarters–subsidiary relationships seems rather obvious, we have not found it described in any of the analyzed pieces of literature.

Participation: Dissatisfaction of local managers with their influence on global product strategy

International local managers seem to be envious of the domestic sales force, as they believe that products are mainly developed according to their requirements and not to global, let alone specific needs of other regions. The local managers in country 1 admit that domestic product development gives them a special competitive advantage. Central managers are also trying to help the domestic sales and marketing organization by investing additional central marketing and research and development resources for the development of big new accounts in the country. Local managers in countries 2, 4 and 5 were dissatisfied with the way their local needs and requirements were solicited, understood and respected by the headquarters. Particularly they also complain about the fact that SurgiSupplies recruits clinical consultants and speakers mainly from their domestic country. These local perceptions seem to have a strong negative impact on the local acceptance of central managers. On the other hand it needs to be pointed out that an

initiative to manufacture specific locally adapted products in SBU 2 for country 2 has not brought the expected success.

Distributor Power: Subsidiary Size and Strategic Importance

Although subsidiary size is frequently stated in literature as a determinant of organizational control, different studies show contradictory results (Schmid and Kretschmer, 2010: 223).

The participants in our study pointed out influences in different directions. As the company has grown in size, adding numerous additional subsidiaries, central marketing managers in SBUs 1, 3 and 5 pointed out that they can only deal intensively with a small number of top subsidiaries. Local managers in countries 3, 4 and 5 feel that international meetings with too many country representatives have grown too big to allow for true exchange with the central managers.

The general manager of country 3, who has been with the company for many years, on the other hand states that the company has gained know-how in managing subsidiaries in time.

Central managers have experienced that the larger a subsidiary becomes and the more own resources the country organizations have, the more self-confident they seem to behave versus the headquarters, making central control more difficult. All subsidiaries in our case study are of important size and priority to the divisional headquarters, which might partly explain their claim to take strategic decisions autonomously. In country 3, however neither SBUs 3a or 3b have a high business priority to them, so they rigorously pursue their CombiTeam project in spite of strong reservations of the central managers.

Another important aspect is, that the culture of smaller local organizations can be different to the corporate culture at large divisional headquarters. The subsidiary in country 4 used to be an independent distributor and a central manager had the feeling that they are still behaving that way.

6.2 Activities and Tools to Improve Central Control

The third research sub-question ‘*What are successful activities and tools to improve central control of local sales and marketing organizations?*’ is addressed by the literature categories displayed in Figure 30.

Sales and Marketing Units								
Performance Evaluation Systems	1	2	3a	3b	4	5a	5b	Contribution
performance evaluation Schmid and Kretschmer (2010)	formal, personal, cultural							
headquarters role Beddi (2011)	interventionist							
sales force effectiveness drivers Zoltners et al. (2008)	model validated for international subsidiaries							

Figure 30: Analysis Framework for Improving Central Control

Respondents pointed out the following activities for improvement of central control: *motivating and committing all local hierarchy levels, local field support, long-term personal relationships, expatriate managers, communication of global strategic orientation, strategic meetings with multiple local and central hierarchy level involvement, strategic sales development workshops, strategic planning and reporting systems, geographical focus in order to deal with limited resources.*

As in the previous section, these are discussed along with the corresponding categories identified in literature.

6.2.1 Headquarters Role

Beddi (2011) has identified 3 typical role types of headquarters in their interactions with subsidiaries. ‘*Interventionist*’ headquarters display a strong centralist presence at the subsidiaries, which are all managed the same way with unilateral know-how transfer from the headquarters to the subsidiaries. ‘*Mediating*’ headquarters have numerous reciprocal activities with the subsidiaries and the mediating role of the headquarters being to connect the

subsidiaries with each other with a large staff of functional and regional responsible international managers. *'Moderating'* headquarters have very limited contact with the subsidiaries who have a lot of relationships between each other. The headquarters role is to establish organizational design and the rules of interaction. According to this categorization, SurgiSupplies is clearly an interventionist headquarters, as subsidiaries have very limited interactions between each other. Also, SurgiSupplies' top management has decided to intensify central interventions in local strategy. In order to achieve this, a central sales management department was installed at the divisional headquarters with central sales managers responsible for each region. Its role is to monitor strategy definition, implementation and to install superior world-wide performance measurement and strategic planning tools.

Influence of central managers on local strategy

Central managers believe that country organizations are typically less successful if they try to develop their own strategies by themselves. Galbraith and Kazanijan predict that, as *'one cannot use authority as a basis for influence'* (Galbraith and Kazanijan, 1986:52) managers in a matrix need skills in negotiation, team-building, group work and intercultural understanding. Country 1 leaves the impression, that these specific skills are expected in a unilateral way only from the central managers, sometimes leaving them frustrated with their interactions.

SBU level central managers sometimes get involved in the local planning process via more or less regular, sometimes controversial strategy meetings of central and local managers. They try to persuade local managers to follow certain global initiatives, however they are limited in their capacity to organize and follow-up on such meetings frequently and in a large number of countries.

While central lobbying activities can have an impact on the local strategies as seen in country 2, where persistent central managers overcame the initial resistance of local managers concerning the 'total solution' program, central SBU managers at SurgiSupplies do not have enough capacity to

consequently pursue a large number of subsidiaries. Also, as has been shown above, competing central offerings and lobbying activities are undermining central control and wasting resources. Another area of difficulty is global expense control. Central SBU managers cannot ensure global SBU related expenses when they have no respective control over the respective local organizations.

In order to address these issues, the positions of central sales managers have been created at the divisional headquarters of SurgiSupplies. As counterparts for local divisional managers, they are overseeing all SBUs. Although this initiative is more or less appreciated by all central SBU managers, the results approximately 18 months into this program were not entirely satisfactory. Central managers in all cases stated that there had been little impact on central management control so far, and that the principle problem of lacking empowerment of central managers via their local counterparts had not improved. In country 1 central sales managers had not been applied at all and in countries 3 and 5 local managers did not see the necessity for their countries, believing that it was more appropriate for smaller, less mature subsidiaries. In country 4, the central sales manager was very disappointed with the impact he could make and took another job at SurgiSupplies after only six months. This shows that increasing central control is a difficult and long-term undertaking. It is important that these difficulties are made explicit in the organization in order to keep central managers motivated. Inconsistencies in divisional guidelines, such as different geographical breakdown of sales regions and uncoordinated international manager meetings are also weakening central control.

Local general managers alternatively suggested that central sales managers should rather be deployed as expatriate '*business angels*' to resolve temporary challenges at subsidiaries (country 3), or as researchers of local market needs (country 1).

Local field support

The importance of central managers directly engaging in active local field activities becomes evident in all cases. In country 1, central managers have direct interaction with domestic opinion leaders and customers, actively supporting local sales. In country 2 this is particularly pronounced as central managers have introduced a 'learning by doing together' approach to their 'total solution' program. Central managers spend entire weeks together, learning about the local situation by being exposed to customers and building relationships with the sales people. Local teams benefit from acquiring the necessary know-how and building confidence in it.

In country 4, central managers are trying to establish contacts between domestic opinion leaders who are promoting their products and local opinion leaders of country 4. Unfortunately, local sales people and managers do not always make use of these contacts. This shows that it is important for central managers to engage in local field activities collaboratively so that the local team can develop ownership of the initiative.

In country 5, the local managers express a strong wish for central managers to frequently get engaged with their local customers and opinion leaders and to listen and to and approve of their local initiatives. They want to increase the feeling of affiliation to the international corporation for their customers and themselves. Also they are interested in central managers learning about their local market situation and requirements.

In addition to the notion of cooperative field work, the continuous importance of local opinion leaders for the life-sciences industry is pointed out by the study participants. This has similarly been confirmed by Stremersch and van Dyck (2009) in a recent publication.

Importantly it was pointed out that central SBU managers should better coordinate their geographic foci in order to use their resources efficiently.

Ghoshal and Bartlett (1988) have described how innovation is adopted by

subsidiaries of multinational corporations. In subsidiaries with good adoption of headquarters innovations, central and local managers were in daily contact and marked by regular travel of headquarters' managers to the subsidiaries (Ghoshal and Bartlett, 1988: 372).

Central managers' credibility

There is no formalized definition of the cooperation process between central and local managers at SurgiSupplies. Local managers often had reservations concerning the competency of central managers to judge not only their respective local markets, but also to identify global trends and define successful product strategies accordingly. This however varied widely between countries and SBUs. Local managers in countries 3 and 5 mentioned that sometimes central managers came straight out of college without any prior field experience. Such young managers were typically not accepted by very experienced local managers. Consequently, MNCs should be very careful in defining the recruit criteria for international sales and marketing managers.

Innovation performance

Local managers expressed some dissatisfaction with the innovative performance of SBUs 1 and 5b, with some quality aspects of SBU 3a and with the overall global product strategy of SBU 4. In country 1 this perception led to a major unrest in the entire local sales team. Central managers pointed out that unreliable timing of product launches, mainly due to unreliable planning of the R&D department, were undermining their personal credibility. If central managers could not keep their promises, local managers did not feel obliged to keep theirs either. The major importance of reliable innovation planning and communication for the international sales organization becomes evident.

Communication of global strategic orientation

Mintzberg (1993) has pointed out the downside of 'obsessive' corporate planning and control in limiting personal creativity and vision for quantum change (Mintzberg, 1993: 33). He suggests strategic vision and strategic learning as alternatives to formal planning.

Local managers generally appreciated the fact that the global strategy was communicated at the annual division meeting. There seems to be an openness of local manager to adhere to global strategies as long as they are simple to understand, clearly communicated and openly supported by the central top-management.

Motivating and committing all local hierarchy levels

Walton has described '*imposing control*' and '*eliciting commitment*' as alternative strategies of workforce management (Walton, 1985: 78). The first strategy involves a fixed job definition with individual accountability, measurable minimum performance standards, hierarchical layering with procedural top down control and hierarchical status symbols, compensation according to individual job performance, limited information of the employee according to the scope of their individual activities with very narrow possibilities of the employee to provide input. The second strategy is characterized by an extended job responsibility of improving the system performance, flexible job descriptions, group-responsibility, dynamic stretch objectives, control based on shared goals and values, flat hierarchies with little status differentials, high level of employee involvement and information sharing (Walton, 1985: 81). The commitment strategy is seen as enhancing performance particularly in situations with involving team-work, problem solving, self-monitoring and organizational learning (Walton, 1985: 80).

In order to gain the acceptance for their strategies, central managers need to persuade and get the commitment from local stakeholders on all hierarchy levels. While local managers dedicated to the same product group are easier to deal with, this can be difficult when local managers on higher hierarchy

levels are not familiar with that respective product group. This can be a particular challenge, as leadership requirements, criteria for staff selection and overall marketing strategies for SurgiSupplies are very different from one product group to another. As a consequence, central managers must be aware and openly address such personal biases and continuous SBU related training should be encouraged, also for local top managers.

In country 2 a central manager speaks of pursuing a *'guerilla strategy'*. If he can't get the attention of the local top management for his initiatives, he tries to create little local customer success stories by offering *'free trials'* to the local managers on lower hierarchy levels. Once certain *'light-houses'* are established, it is then easier to go back and convince the top decision makers. On the other hand, if lower hierarchy levels do not want to take the initiative to convince their superiors, this manager tries to bypass them by addressing the topic casually directly to the local top managers.

The CombiTeam project in country 3 illustrates how much time, in this case the local top managers spent for getting *'buy-in'* from all hierarchy levels on the central and local side. The smooth and successful role-out of the project seems to confirm their effort.

6.2.2 Performance Evaluation

In their literature review concerning performance evaluation of international subsidiaries of MNCs, Schmid and Kretschmer (2010) found that performance evaluation generally could be either personal, formal or cultural. At SurgiSupplies all three forms could be identified.

Formal Evaluation: Strategic planning and reporting systems

Kaplan and Norton (1992) found that establishing non-financial performance indicators can help strategic alignment. Micheli et al. (2011) showed that incompatible information systems between headquarters and subsidiaries can lead to difficulties in strategic alignment. SurgiSupplies started an

initiative of additional planning and reporting tools in order to increase the accountability of local sales organizations. These new tools were not entirely understood or used systematically in any of the subsidiaries studied. Local and central managers seemed to agree that it was not the fact of additional documentation that was missing, but that the implementation culture in the company needed to be improved. One suggestion made to improve the acceptance and relevance of some of the tools was to train the central and local members of the subsidiary boards on them and to oblige them to use them in their local board meetings.

Local managers were believed not to necessarily report their true intentions into formal reporting systems. The reporting tools were mostly seen as additional bureaucratic work with little added value. Activity planning at SurgiSupplies is historically very decentralized and different from country to country.

A point of dissatisfaction for central managers was the lack of transparency in local goal setting. Central managers on a product group level were not involved in goal settings at the local level and they believed that the goals were sometimes not ambitious enough, particularly when there were a lot of market opportunities. Dissatisfaction was particularly high about the activities for winning new accounts. The division is trying to improve the transparency of the systematic development of profitable new accounts by introducing common market and customer analysis tools to the countries. While some smaller countries showed some interest in such tools, the local managers for country 1 pointed out, that they already developed their own methods and that they were therefore reluctant to change.

A performance measurement system has also been established to monitor the sales, margin and expense development as well as a number of key performance indicators such as number of new accounts and the number of new opinion leaders and reference centers won to support the marketing activities. In particular the latter, non-financial indicators can be seen as a measure to improve strategic alignment, beyond output or behavioral control

(Kaplan and Norton, 1992). 18 months into the program, all of these tools were still under considerable scrutiny. Overall, this experience shows, that formalization per se made no major contribution to the resolution of the underlying issues.

Formalized long-term local investment planning

A promising approach for coordination of central and local strategy was seen in the newly installed long-term investment planning system where subsidiaries need to commit what SBUs they intended to invest in the future. The 5 year investment plans is intended to calm internal power-struggles at the headquarters between central product group managers concerning local resources at strategically important subsidiaries. The idea is to avoid the simultaneous targeting of a given country by several central SBUs at the same time. This also has the advantage that the limited time and resources from the central headquarters can be used in a more focused way. Also they try to avoid a waste of resources on short-term opportunities that do not lead to sustainable development in a given country.

Two of the central managers also independently suggested to organize strategy meetings for the central SBU managers, in order to coordinate SBU level strategies and identify synergies.

Sales management systems

Cravens et al. (2006) predict an increasing global convergence of sales management practice. While HospiMed has started a corporate customer relationship management system in few countries, the local sales managers do not seem to believe in complete standardization. Local managers in countries 1 and 3 pointed out strong differences in sales management control between different SBUs, also with little synergies between them. A local manager in country 5 remarked that sales reporting systems for indirect sales forces needed to be designed differently than for direct sales forces. A challenge for companies with a large product portfolio such as SurgiSupplies lies in keeping the individual sales person's portfolio small enough so that

they can ensure a satisfactory detailed product knowledge, while on the other hand reaching a critical mass for the individual sales teams. A clear finding in our study was that failure to establish a critical mass for the size of a sales force can be detrimental to the business. Anderson and Onyemah's (2007) finding that inexperienced sales people need to be managed by behavioral control and more mature sales people by output control was confirmed by the experience of local sales managers.

Cultural Control: Expatriate / Compatriot Managers, Workshops

Egelhoff (1984) has pointed out the function of expatriate managers in gaining behavioral control over foreign subsidiaries. In all 3 subsidiaries that were considered to have language barriers, fellow country men were engaged from the headquarters either as central sales managers visiting the countries frequently (Harry for country 4, Paul for country 5), or as expatriate and later compatriot (Susan for country 2). In addition, the general manager of subsidiary 3 (George) is an expatriate deployed from the domestic country.

Local and central managers see both expatriate as well as compatriot managers as very helpful for communication and relationship building. In country 2, the deployment of an expatriate manager has contributed to the adoption of the 'total solution' program. This seems to be a successful method to increase perceived similarity and hence cooperation and relationship effectiveness. The negative example in country 4 however shows that native speaking compatriot managers are also under local scrutiny, as provide the headquarters with privileged local information. It does not seem that SurgiSupplies is already exploiting their full potential of such activities, as study participants find that other divisions at HospiMed are much more actively and successfully deploying expatriate managers both from the headquarters to the subsidiary and vice versa. It is pointed out that such deployments need to lead the concerned persons to a better career path after their return; otherwise they cannot make optimal use of their improved horizon, relationships and skills.

Schmid and Kretschmer (2010) describe workshops as an alternative tool for

cultural performance evaluation. Quinn points out the importance of dialogue between managers, notably in times of rapid environmental and organizational change, and specifically when there are difficulties to hit targets. He suggests that *'strategic control discussions should be vocal, reciprocating, issue-oriented, rational, imaginative, and honest.'* as *'No matter how good an explanation of performance is, if it is not articulated it cannot influence the strategic agenda'* (Schmid and Kretschmer, 1996: 387, 388).

Central managers in countries 1 and 3 reported about organizing strategic sales workshops that were aimed at improving local sales force effectiveness. The idea was to work together on very operational, target customer based action plans, based on extensive market and customer analysis tools. The results varied from very positive to very negative. The local teams sometimes believed these workshops to be time-consuming and added little value. A central manager reported not having enough resources to consequently follow up on such workshops. It is thus important to be realistic with expectations and resource planning for such activities.

Personal Control: Strategic Meetings

Local managers in all cases were dissatisfied with their possibilities to communicate their local needs to the headquarters, to influence global strategy and with the responsiveness of the headquarters to these requirements. The current international business meetings are generally seen as having too many participants in order to come to a true exchange with central managers. It is suggested by local managers to involve small groups of managers from subsidiaries with similar requirements in strategy meetings with central managers from all relevant functions, such as R&D and marketing, in order to identify global or regional trends and develop future strategies together. A first meeting of such kind, that several of the respondents had participated in, had taken place shortly before the interviews. This meeting was independently mentioned as a positive example of how such strategy meetings should be organized. It represented a step towards more subsidiary participation with the positive influence on

relationship effectiveness of improving cooperation but the potentially problematic influence of additionally increasing subsidiary power, from the central point of view.

6.2.3 Sales Force Effectiveness

Zoltners et al. (2008) found that sales force effectiveness depended on activities that defined, shaped, excited, enlightened and controlled the sales force. They proposed survey items to analyze these drivers in order to identify improvement potential and derive corresponding action plans. We have adopted this method to subsidiary sales and marketing team assessment and tested if the scales were valid and if the performance measures were actually correlated to sales force effectiveness.

Findings from our Performance Surveys

The analysis showed that while the scales for both surveys were valid, each survey could only explain three underlying factors in a meaningful way. These factors however were highly plausible and showed some significant correlations to actual sales output data, indicating that the performance measurements were related to actual sales force effectiveness. Plausibly, teams with higher total sales numbers were rated to have higher market and customer knowledge and short term sales growth was associated with team competency. Local competitive strategy could not be shown to correlate with sales outcomes, which again is plausible, as rather long-term effects could be expected from this variable.

Comparing the way the survey was completed by the different country managers, it can be strongly suspected that the willingness to reveal weaknesses in their own organization was very different from person to person. Specifically, the country 2 organization that has been rated a world-class operation earlier was very self-critical, while country 3, that for SBUs 3a and 3b was rated a poor operation, was very self-confident. On the other

hand, once these general biases were taken into account, improvement potentials could be identified for all participating country organizations (Figure 31). Interestingly, all participating managers saw improvement potential in team competence. Other major improvement potentials were seen in market and competition knowledge, the overall sales organization or in customer targeting. Aside from these major improvement potentials, a large number of smaller issues were revealed.

country	1	2	3	4	5
country specific context	innovative market	culturally distant market	price competitive market	emerging market	economic crisis market
SBU specific context	headquarters matrix problems	solution selling know-how	combining two sales forces	supply chain issues	dealer market, resource
total country ranking	1	3	7	11	8
SBU country ranking	2	4	28 / 24	13	9 / 8
sales force improvement potential	-	team competence, market and competition knowledge	team competence, competition knowledge	team competence, sales organization	team competence, customer targeting
headquarters improvement potential	innovation, product quality	marketing & sales tools, communication, clinical evidence	-	-	strategy adequacy, clinical evidence, communication, innovation

Figure 31: Identified Improvement Potentials

Concerning the evaluation of central marketing support, it was a surprising finding that higher SBU country ranking was associated in a highly significant way with a less favorable evaluation of the product package. This also showed in our specific case examples, where the 3 subsidiaries with higher SBU rankings had critical remarks, while the 2 lowest ranked only had positive feed-back. The fact that in the statistical analysis the factor 'local market and customer knowledge' from survey 1 is negatively correlated to the 'central product package' from survey 2 might further help to explain this. Sales teams with higher absolute sales have been shown to have higher 'local market and customer knowledge' and thus knowledge about customer needs and trends. They therefore seem to become more demanding and

exigent concerning the product package they receive from the headquarters. On the other hand these findings are also consistent of what has been said earlier about the effects of increasing distribution power.

Overall the results of the survey seemed to be plausible and valid in providing performance information about the subsidiaries and in formalizing and agreeing on improvement potential. However, in order to study if the survey findings can actually be used to define and implement successful action plans and to ultimately improve sales force effectiveness, a longitudinal study approach would be required.

Chapter 7: Conclusions, Limitations and Outlook

Answering the research questions, influence factors, tools and activities impacting on global strategy implementation have been identified (Chapters 4 and 5), summarized (Annex 5) and discussed (Chapter 6). This section sums up the findings and points out the contributions and implications of this research.

Situational influence factors

SBU specific local market assets that have been previously built up by subsidiaries in the form of team size, brand-awareness and market share, positively influence the local resources and capabilities that allow them to follow the global strategy. This is directly linked to the country specific market life-cycle situation. On the other hand, the larger these assets become, and the greater the market yield in the form of sales output gets, the less the subsidiaries need central operational marketing and sales support and the more they require strategic support in the form of innovative new products. While smaller international teams are easier to control, as they depend on central resources for operational daily activities, managers of larger teams become more self-confident, independent and critical of the headquarters. Specifically, several local managers of important subsidiaries challenged the international market orientation of central managers in our case study, as they believed that feedback for the development of new products was sought mainly in the domestic market of the company, neglecting the needs of other countries. Often, they also challenged the general innovativeness of the company.

It is important to point out that for every country organization studied, the specific competitive challenge was different. Team 1 had difficulties competing in fast innovation cycles, for team 2 cultural differences hindered the launch of new innovative solutions, team 3 had problems competing on country-specific low price levels, team 4 faced issues of managing fast growth, and team 5 was confronted with an economic crisis in their country. Such differences require local adaptability and have a strong impact on the

possibilities to implement global strategy. They also make it difficult for central managers to compare the true performance of teams in different countries.

A cultural aspect contributing to difficulties in understanding between local and central managers is power distance. While headquarters managers in our case were highly empowered on all hierarchy levels, in certain subsidiaries all decision making was concentrated at the level of top management. Long-term relationships seem to potentially help to overcome difficulties with cultural differences, as understanding and perceived similarity increases. However, even in the 21st century, language barriers remain an issue in some countries.

Organizational influence factors

At the headquarters, central SBU level managers are competing for local country resources, sometimes in an uncoordinated way. As this competition involves the use of their own central resources in the form of lobbying and support activities, they risk entering into a wasteful arms race between each other. Also, as this competition will have winners and losers, those SBUs will thrive that are perceived as most attractive to the local managers, independently of the global strategic plan.

Control system and company cultures are not identical in subsidiaries and at the headquarters. Central and local managers don't necessarily understand the control strategy of the other. Central managers need to be aware of the local power situation in order to address strategic issues such as investment decisions at the appropriate hierarchical level. Generally speaking, SurgiSupplies, as a European company, seems to have less restrictive control and sanctioning than its American competitors.

A central habit of cultural control in combination with life employment can be incompatible with subsidiaries that have a high staff turn-over. A large degree of divisionalization contributes to this, as the size of local teams and the number of local experts for each SBU can be small, and fluctuation can thus

easily lead to a significant drain of local competence.

Influence of decentralization and delegation

The global marketing approach of a highly divisionalized company, paired with a decentralized decision making structure, was shown to bear potential difficulties in the enforcement of global product strategies. Local managers who are endowed with a high amount of liberty in strategic decision making and at the same time presented with a large number of strategic options from multiple central divisions and SBUs, might become difficult to control by central headquarters managers. Local top managers, e.g. are usually less knowledgeable about SBUs they have had no prior personal experience with during their career, and they therefore seem to be hesitant to invest in them.

The global sales strategy then might risk becoming the random aggregation of such local strategic decisions. This lack of central control can also be observed with respect to global planning of SBU related investments and expenses: while the overall numbers per country can be controlled, the allocation to different SBUs is difficult. While decentralized decision making has the advantage of the market mechanism, where the most competitive central offerings should tend to eliminate weaker ones, the relationship between headquarters and subsidiary then can resemble strongly the one of a manufacturer with independent distributors.

Instead of directly controlling the activities of the subsidiaries, intermediate central managers thus depend on the quality of their offering and compete with other central managers for the goodwill and the investments of subsidiary managers. Importantly, this seems to involve gaining the commitment from all local hierarchy levels, often independently. Although global investment levels and major investment projects as well as global sales and profit targets will typically be defined by central top managers, the way these are broken down to individual SBUs is largely left to the subsidiary managers. With creativity and persistence central SBU managers will try to *'get a foot in the door of the subsidiary'* even if this means taking away resources and thereby disturbing the activities of other SBUs. This implies

that taking control of subsidiaries requires the coordination of the international activities of divisional SBUs. Local managers stated that they appreciated clearly communicated strategies from the central headquarters' top management and they seemed to be quite willing to integrate them into their local strategies. Local managers, however, seem to tend to pursue rather short-term strategies, reducing risk by investing in many SBUs simultaneously, but might not focus on the most promising opportunities. At the same time this strategy avoids confrontation with any of the central marketing managers as local investments are shared between there SBUs. The international matrix organization as well as the matrix organization at the headquarters level can contribute to a dilution of central strategy by a lack of clear decision making competencies and unclear matrix roles. With a high level of divisionalization it also becomes difficult for local general managers to develop deep insight into individual market segments. They sometimes react by simply focusing on markets they are personally familiar with.

Successful activities and tools

A main finding of this research is that intermediate central sales and marketing managers at SurgiSupplies have very little formal authority with respect to their local counterparts they are intended to lead. The larger the subsidiaries get, the more self-confident and independent they seem to behave. In order to better coordinate local and central SBU activities, SurgiSupplies assigned central sales managers responsible for all 7 SBUs to most of the top selling subsidiaries. 18 months into the initiative of installing central sales managers, this was however still seen with a certain skepticism by most study participants. This shows that the attempt to establish more central control is challenging and takes a long time.

In order to establish successful leadership, central sales and marketing managers need to be credible partners for the subsidiary managers. A number of activities have been shown to influence local implementation of central strategies in decentralized, highly divisionalized organizations such as SurgiSupplies. Very importantly, the activities of central managers with

respect to the individual subsidiaries need to be planned and coordinated, again, a central task for the central sales managers. Competing for local attention and resources in an uncoordinated way is wasteful and allows local managers to play central managers off against each other, undermining central authority. While at SurgiSupplies the high staff-loyalty at the headquarters and in some of the subsidiaries has led to long-term personal relationships, which help to overcome such issues, major problems arose in subsidiaries with higher fluctuation. Also, central sales and marketing managers need to have sufficient personal international field experience to be accepted by their local counterparts. The practice of putting young graduates directly in such positions needs to be avoided.

Subsidiary managers seemed to be chronically dissatisfied with their own possibilities of ensuring that strategic product development respected their individual country needs. Involving them in strategy workshops can help to overcome this, however sufficient resources need to be available to follow-up subsequently on the results of such meetings. Central managers need to be perceived as market oriented, meaning that they need to develop intimate knowledge of and accept the specificities of each country situation and the challenges that local staff are faced with.

Central managers also need to understand the local control systems, that can differ largely from the headquarters, and the actual local power situation, in order to properly address different central initiatives. Generally speaking '*buy-in*' must be obtained simultaneously on all local hierarchy levels. The fact of having prior career experience of working in a local subsidiary can be very helpful to this end.

Expatriate and compatriot central managers seem to contribute to perceived organizational similarity. However they are still considered to be headquarters agents, which can compromise their local acceptance, as we found in the example of a compatriot who took the international sales responsibility at the SurgiSupplies headquarters for the subsidiary in his home country.

A particularly fruitful method of improving the headquarters - subsidiary relationship seems to be to jointly engage in local field activities. This gives central managers first hand market information from customers and sales people, allows an easy and operational transfer of knowledge to the local teams and contributes to the formation of personal relationships due to shared experiences. Here again however, it is of great importance that the central managers dispose of sufficient personal field experience to be a credible counterpart for the local field staff.

Regular and clear top management communication of global strategic orientation seems to be very well accepted locally and seems to reduce local resistance to central initiatives. Clearly defined processes and organizational roles for the interactions of central and local managers are desirable.

Realistic planning of initiatives that require central activities and resources and truthful communication of setbacks and delays seems to be crucial for the credibility of central managers. Local teams might have a tendency to become complacent, when the mother company does not fulfill its promises. This might be a bigger problem in SBUs with short product life-cycles, that are more depending on the regular introduction of new innovative solutions.

Performance evaluation and strategic planning tools

An important role of central sales managers at SurgiSupplies was to develop and implement strategic planning and reporting systems that would reveal critical local information and allow the definition and commitment to coordinated marketing and sales strategies. The implementation and acceptance of such tools proved to be challenging. Experienced managers did not seem to take them seriously, as if they were expecting the tools to eventually fail and disappear. Some value was seen in a long-term investment planning report as a common communication platform formalizing decisions. Mostly, however, the additional strategic planning and reporting systems were seen as an additional bureaucratic effort with little added value.

Performance surveys of local and central sales and marketing organizations were found in this study to be a valid tool for the identification of performance improvement potential relating to sales force effectiveness. The successful implementation of such surveys however, in our opinion will require a consequent deployment and follow-up as well as top management support for years.

Conceptual developments, implications and contributions to management practice

A review with a wide scope of organizational, marketing and performance evaluation literature allowed the creation of a comprehensive framework for the classification of subsidiaries, as they relate to the headquarters of their multinational mother companies. The relevant classification approaches, namely international organization form, structure, control mechanisms and strategies, investment initiative and strategy, cultural dimensions and performance criteria, thus were identified and combined for a more thorough analysis framework. The practicability of this framework was demonstrated by the example of HospiMed's SurgiSupplies division and its international marketing and sales organizations. In this way, the research contributes to the practice of management by providing insight into potential situational and organizational factors that can compromise global strategy implementation in MNCs and by helping their managers identify and counteract such issues in their own organizations. The most important practical implication is that divisionalized and decentralized MNCs who want to improve central control need to be very explicit and coordinated about their global strategies and the roles and competencies of their central sales and marketing managers, who are to diffuse those strategies throughout the organization. These findings advance the current academic discussion on how MNCs can react to resistance against global coordination (Griffith et al., 2008: 1227-1228).

The theoretical framework of this research was used as a lense to present the results, but not to structure the interview questions. While the research

questions provided an agenda of issues, an open inductive approach to the interviews was chosen. This allowed the inductive identification of contemporary situational and organizational factors relevant for strategy implementation and thus the incremental advancement of management theory. As subsidiaries are driven by short-term performance and the headquarters are driven by long-term strategy, the globalization – localization debate is not straight forward and it is important to broaden the theoretical basis for understanding the resulting tensions.

Limitations and outlook

The major limitation of our research is the fact that it is based on a single case study, by definition allowing only limited external validity. We have tried to address this by comparing all 7 different SBUs of the investigated company and by choosing 5 different geographic and diverse cultural regions, also including countries with different states of economic development. The situation of SurgiSupplies as a single MNC however remains highly contextualized, specifically the fact that SurgiSupplies is itself a subsidiary of a privately owned MNC.

While we believe it to be important to distinguish situational and organizational factors, we found this categorization of these factors difficult, as the concepts were interwoven. ‘High staff-turn over’ e.g. is certainly an organizational problem, however the experience of the study participants showed that it was in fact often caused by a general attitude of employees, that was specific to certain countries. As another example, control systems are part of the organizational culture of the company, on the other hand they are strongly influenced by the situational country culture.

It needs to be pointed out, that in spite of all the identified potentially negative effects of high divisionalization and decentralization, this particular strategy has allowed the company SurgiSupplies to be reasonably successful for many decades. Apart from the effect of an overall favorable growth environment of the medical device industry, it can be speculated that the individual highly regulated national life-science markets each present very

different opportunities and challenges, and that this might be a specific characteristic of such markets in favor of decentralized decision making. This offers an interesting route for future research. We generally encourage future studies in the under-researched field of management control in international sales organizations, specifically concerning the problem of overcoming resistance from local subsidiaries to central strategies.

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Annex 1 SPSS Tables Subsidiary Performance Survey

Descriptive Statistics			
	Mean	Std. Deviation	Analysis N
clear strategy	3,4113	1,84031	141
sales organization	3,8085	2,14114	141
leadership	3,6383	2,44738	141
team competence	3,7092	1,79101	141
incentive systems	3,0496	2,09191	141
team motivation	3,2128	1,88152	141
market knowledge	3,7092	1,95864	141
competition knowledge	3,6879	1,98615	141
market trends	3,3262	1,79482	141
customer analysis	4,1135	1,93867	141
customer targeting	4,0567	2,10025	141
account planning	4,2411	2,14110	141

Table 1: Descriptive Statistics Self-Evaluation Survey

KMO and Bartlett's Test		
	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	,877
Bartlett's Test of Sphericity	Approx. Chi-Square	1393,296
	df	66
	Sig.	,000

Table 2: KMO and Bartlett's Test

Total Variance Explained				
Component	Initial Eigenvalues	Extraction Sums of Squared Loadings		
	Cumulative %	Total	% of Variance	Cumulative %
1	57,149	6,858	57,149	57,149
2	69,551	1,488	12,402	69,551
3	78,437	1,066	8,886	78,437

Extraction Method: Principal Component Analysis.

Table 3: Total Variance Explained by the Three Factor Model

Scale: Market and Customer Knowledge

Case Processing Summary

		N	%
Cases	Valid	143	95,3
	Excluded ^a	7	4,7
	Total	150	100,0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
,918	4

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
customer analysis	11,9021	31,047	,869	,876
customer targeting	11,9510	29,526	,868	,874
account planning	11,7692	30,320	,798	,900
market knowledge	12,2937	33,589	,721	,923

Table 4: Reliability Statistics Factor 1 'Market and Customer Knowledge'

Scale: Team Competence

Case Processing Summary

	N	%
Cases Valid	142	94,7
Excluded ^a	8	5,3
Total	150	100,0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
,894	5

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
team motivation	14,5282	50,989	,673	,886
leadership	14,0915	43,644	,716	,884
sales organization	13,9225	45,817	,771	,865
clear strategy	14,3310	48,010	,831	,854
team competence	14,0282	50,169	,760	,869

Table 5: Reliability Statistics Factor 2 'Team Competence'

Scale: Competitive Strategy

Case Processing Summary

	N	%
Cases Valid	142	94,7
Excluded ^a	8	5,3
Total	150	100,0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
,826	3

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
incentive systems	6,9930	12,830	,564	,884
competition knowledge	6,3521	11,393	,770	,668
market trends	6,7254	12,896	,733	,717

Table 6: Reliability Statistics Factor 3 'Competitive Strategy'

Correlation Matrices

Correlation Matrix^a

		clear strategy	sales organization	leadership
Correlation	clear strategy	1,000	,760	,626
	sales organization	,760	1,000	,706
	leadership	,626	,706	1,000
	team competence	,756	,622	,590
	incentive systems	,520	,428	,429
	team motivation	,664	,521	,536
	market knowledge	,543	,588	,425
	competition knowledge	,610	,396	,395
	market trends	,619	,522	,344
	customer analysis	,595	,573	,477
	customer targeting	,522	,495	,379
	account planning	,482	,456	,345
Sig. (1-tailed)	clear strategy		,000	,000
	sales organization	,000		,000
	leadership	,000	,000	
	team competence	,000	,000	,000
	incentive systems	,000	,000	,000
	team motivation	,000	,000	,000
	market knowledge	,000	,000	,000
	competition knowledge	,000	,000	,000
	market trends	,000	,000	,000
	customer analysis	,000	,000	,000
	customer targeting	,000	,000	,000
	account planning	,000	,000	,000

a. Determinant = 3,34E-005

Correlation Matrix^a

		team competence	incentive systems	team motivation
Correlation	clear strategy	,756	,520	,664
	sales organization	,622	,428	,521
	leadership	,590	,429	,536
	team competence	1,000	,414	,644
	incentive systems	,414	1,000	,275
	team motivation	,644	,275	1,000
	market knowledge	,597	,138	,308
	competition knowledge	,653	,559	,320
	market trends	,612	,506	,347
	customer analysis	,629	,354	,289
	customer targeting	,606	,173	,324
	account planning	,525	,283	,214
Sig. tailed)	(1- clear strategy	,000	,000	,000
	sales organization	,000	,000	,000
	leadership	,000	,000	,000
	team competence		,000	,000
	incentive systems	,000		,000
	team motivation	,000	,000	
	market knowledge	,000	,052	,000
	competition knowledge	,000	,000	,000
	market trends	,000	,000	,000
	customer analysis	,000	,000	,000
	customer targeting	,000	,020	,000
	account planning	,000	,000	,005

a. Determinant = 3,34E-005

Correlation Matrix^a

		market knowledge	competition knowledge	market trends
Correlation	clear strategy	,543	,610	,619
	sales organization	,588	,396	,522
	leadership	,425	,395	,344
	team competence	,597	,653	,612
	incentive systems	,138	,559	,506
	team motivation	,308	,320	,347
	market knowledge	1,000	,481	,584
	competition knowledge	,481	1,000	,798
	market trends	,584	,798	1,000
	customer analysis	,693	,685	,702
	customer targeting	,688	,557	,565
	account planning	,620	,555	,515
Sig. tailed)	(1- clear strategy	,000	,000	,000
	sales organization	,000	,000	,000
	leadership	,000	,000	,000
	team competence	,000	,000	,000
	incentive systems	,052	,000	,000
	team motivation	,000	,000	,000
	market knowledge		,000	,000
	competition knowledge	,000		,000
	market trends	,000	,000	
	customer analysis	,000	,000	,000
	customer targeting	,000	,000	,000
	account planning	,000	,000	,000

a. Determinant = 3,34E-005

Correlation Matrix^a

		customer analysis	customer targeting	account planning
Correlation	clear strategy	,595	,522	,482
	sales organization	,573	,495	,456
	leadership	,477	,379	,345
	team competence	,629	,606	,525
	incentive systems	,354	,173	,283
	team motivation	,289	,324	,214
	market knowledge	,693	,688	,620
	competition knowledge	,685	,557	,555
	market trends	,702	,565	,515
	customer analysis	1,000	,851	,769
	customer targeting	,851	1,000	,778
	account planning	,769	,778	1,000
Sig. (1- tailed)	clear strategy	,000	,000	,000
	sales organization	,000	,000	,000
	leadership	,000	,000	,000
	team competence	,000	,000	,000
	incentive systems	,000	,020	,000
	team motivation	,000	,000	,005
	market knowledge	,000	,000	,000
	competition knowledge	,000	,000	,000
	market trends	,000	,000	,000
	customer analysis		,000	,000
	customer targeting	,000		,000
	account planning	,000	,000	

a. Determinant = 3,34E-005

Annex 2 SPSS Tables Headquarters Performance Survey

Descriptive Statistics			
	Mean	Std. Deviation	Analysis N
organizational setup	1,5120	,60397	125
clear strategy	1,8800	,61696	125
adequate strategy	2,3520	,79571	125
competitive knowledge	2,0880	,71860	125
product knowledge	1,6560	,71959	125
marketing & sales tools	2,4160	,79498	125
communication	1,8240	,73027	125
response time	1,8080	,77974	125
support level	1,8400	,75562	125
training standards	2,0560	,71057	125
support locally adapted	1,8880	,78510	125
product quality	1,9840	,78272	125
delivery performance	1,9640	,78847	125
innovation	2,4560	,82798	125
clinical evidence	2,5780	,79465	125

Table 1: Descriptive Statistics

KMO and Bartlett's Test		
Bartlett's Test of Sphericity	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	,879
	Approx. Chi-Square	648,830
	df	105
	Sig.	,000

Table 2: KMO and Bartlett's Test

Total Variance Explained				
Component	Initial Eigenvalues	Extraction Sums of Squared Loadings		
	Cumulative %	Total	% of Variance	Cumulative %
1	37,988	5,698	37,988	37,988
2	47,123	1,370	9,135	47,123
3	54,719	1,139	7,596	54,719

Extraction Method: Principal Component Analysis.

Table 3: Total Variance Explained by the Three Factor Model

Scale: Operational Support

Case Processing Summary

		N	%
Cases	Valid	125	71,0
	Excluded ^a	51	29,0
	Total	176	100,0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
,835	7

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
communication	11,0080	9,411	,659	,801
response time	11,0240	9,411	,602	,811
organizational setup	11,3200	10,365	,558	,818
support locally adapted	10,9440	9,118	,667	,799
competitive knowledge	10,7440	9,660	,610	,809
training standards	10,7760	10,175	,489	,828
product knowledge	11,1760	10,017	,519	,823

Table 4: Reliability Statistics Factor 1 'Operational Support'

Scale: Strategic Support

Case Processing Summary

	N	%
Cases Valid	125	71,0
Excluded ^a	51	29,0
Total	176	100,0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
,725	3

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
adequate strategy	3,7200	1,397	,552	,637
clear strategy	4,1920	1,785	,547	,651
support level	4,2320	1,470	,560	,621

Table 5: Reliability Statistics Factor 2 'Strategic Support'

Scale: Product Package

Case Processing Summary

	N	%
Cases Valid	125	71,0
Excluded ^a	51	29,0
Total	176	100,0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
,699	5

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
innovation	8,9420	4,870	,457	,649
clinical evidence	8,8200	4,824	,507	,628
product quality	9,4140	4,894	,496	,633
marketing and sales tools	8,9820	5,047	,433	,659
delivery performance	9,4340	5,226	,382	,680

Table 6: Reliability Statistics Factor 3 'Product Package'

Correlation Matrices

Correlation Matrix^a

		organizational setup	clear strategy	adequate strategy
Correlation	organizational setup	1,000	,274	,243
	clear strategy	,274	1,000	,465
	adequate strategy	,243	,465	1,000
	competit. knowledge	,434	,370	,411
	product knowledge	,427	,342	,312
	marketing/sales tools	,241	,251	,493
	communication	,444	,329	,232
	response time	,347	,287	,201
	support level	,393	,477	,483
	training standards	,308	,236	,336
	support loc. adapted	,462	,372	,438
	product quality	,137	,146	,320
	delivery performance	,208	,323	,361
	innovation	,336	,250	,256
	clinical evidence	,210	,110	,202
Sig. tailed)	(1- organizational setup		,001	,003
	clear strategy	,001		,000
	adequate strategy	,003	,000	
	competit. knowledge	,000	,000	,000
	product knowledge	,000	,000	,000
	marketing/sales tools	,003	,002	,000
	communication	,000	,000	,005
	response time	,000	,001	,012
	support level	,000	,000	,000
	training standards	,000	,004	,000
	support loc. adapted	,000	,000	,000
	product quality	,064	,052	,000
	delivery performance	,010	,000	,000
	innovation	,000	,002	,002
	clinical evidence	,009	,112	,012

a. Determinant = ,004

Correlation Matrix^a

		competitive knowledge	product knowledge	marketing and sales tools
Correlation	organizational setup	,434	,427	,241
	clear strategy	,370	,342	,251
	adequate strategy	,411	,312	,493
	competit. knowledge	1,000	,449	,458
	product knowledge	,449	1,000	,407
	marketing/sales tools	,458	,407	1,000
	communication	,429	,344	,349
	response time	,376	,384	,247
	support level	,531	,328	,380
	training standards	,385	,290	,358
	support loc. adapted	,547	,388	,385
	product quality	,261	,362	,361
	delivery performance	,219	,234	,204
	innovation	,298	,252	,285
	clinical evidence	,253	,336	,369
Sig. (1-tailed)	organizational setup	,000	,000	,003
	clear strategy	,000	,000	,002
	adequate strategy	,000	,000	,000
	competit. knowledge		,000	,000
	product knowledge	,000		,000
	marketing/sales tools	,000	,000	
	communication	,000	,000	,000
	response time	,000	,000	,003
	support level	,000	,000	,000
	training standards	,000	,001	,000
	support loc. adapted	,000	,000	,000
	product quality	,002	,000	,000
	delivery performance	,007	,004	,011
	innovation	,000	,002	,001
	clinical evidence	,002	,000	,000

Correlation Matrix^a

		competitive knowledge	product knowledge	marketing and sales tools
Correlation	organizational setup	,434	,427	,241
	clear strategy	,370	,342	,251
	adequate strategy	,411	,312	,493
	competit. knowledge	1,000	,449	,458
	product knowledge	,449	1,000	,407
	marketing/sales tools	,458	,407	1,000
	communication	,429	,344	,349
	response time	,376	,384	,247
	support level	,531	,328	,380
	training standards	,385	,290	,358
	support loc. adapted	,547	,388	,385
	product quality	,261	,362	,361
	delivery performance	,219	,234	,204
	innovation	,298	,252	,285
	clinical evidence	,253	,336	,369
Sig. (1- tailed)	organizational setup	,000	,000	,003
	clear strategy	,000	,000	,002
	adequate strategy	,000	,000	,000
	competit. knowledge		,000	,000
	product knowledge	,000		,000
	marketing/sales tools	,000	,000	
	communication	,000	,000	,000
	response time	,000	,000	,003
	support level	,000	,000	,000
	training standards	,000	,001	,000
	support loc. adapted	,000	,000	,000
	product quality	,002	,000	,000
	delivery performance	,007	,004	,011
	innovation	,000	,002	,001
	clinical evidence	,002	,000	,000

a. Determinant = ,004

Correlation Matrix^a

		communica- tion	response time	support level
Correlation	organizational setup	,444	,347	,393
	clear strategy	,329	,287	,477
	adequate strategy	,232	,201	,483
	competit. knowledge	,429	,376	,531
	product knowledge	,344	,384	,328
	marketing/sales tools	,349	,247	,380
	communication	1,000	,648	,416
	response time	,648	1,000	,385
	support level	,416	,385	1,000
	training standards	,377	,354	,407
	support loc. adapted	,542	,465	,636
	product quality	,122	,167	,255
	delivery performance	,241	,264	,342
	innovation	,267	,137	,272
	clinical evidence	,347	,216	,249
Sig. (1- tailed)	organizational setup	,000	,000	,000
	clear strategy	,000	,001	,000
	adequate strategy	,005	,012	,000
	competit. knowledge	,000	,000	,000
	product knowledge	,000	,000	,000
	marketing/sales tools	,000	,003	,000
	communication		,000	,000
	response time	,000		,000
	support level	,000	,000	
	training standards	,000	,000	,000
	support loc. adapted	,000	,000	,000
	product quality	,088	,032	,002
	delivery performance	,003	,001	,000
	innovation	,001	,064	,001
	clinical evidence	,000	,008	,003

a. Determinant = ,004

Correlation Matrix^a

		training standards	support locally adapted	product quality
Correlation	organizational setup	,308	,462	,137
	clear strategy	,236	,372	,146
	adequate strategy	,336	,438	,320
	competit. knowledge	,385	,547	,261
	product knowledge	,290	,388	,362
	marketing/sales tools	,358	,385	,361
	communication	,377	,542	,122
	response time	,354	,465	,167
	support level	,407	,636	,255
	training standards	1,000	,431	,234
	support loc. adapted	,431	1,000	,312
	product quality	,234	,312	1,000
	delivery performance	,263	,267	,313
	innovation	,176	,278	,347
	clinical evidence	,314	,289	,349
Sig. (1-tailed)	organizational setup	,000	,000	,064
	clear strategy	,004	,000	,052
	adequate strategy	,000	,000	,000
	competit. knowledge	,000	,000	,002
	product knowledge	,001	,000	,000
	marketing/sales tools	,000	,000	,000
	communication	,000	,000	,088
	response time	,000	,000	,032
	support level	,000	,000	,002
	training standards		,000	,004
	support loc. adapted	,000		,000
	product quality	,004	,000	
	delivery performance	,002	,001	,000
	innovation	,025	,001	,000
	clinical evidence	,000	,001	,000

Correlation Matrix^a

		competitive knowledge	product knowledge	marketing and sales tools
Correlation	organizational setup	,434	,427	,241
	clear strategy	,370	,342	,251
	adequate strategy	,411	,312	,493
	competit. knowledge	1,000	,449	,458
	product knowledge	,449	1,000	,407
	marketing/sales tools	,458	,407	1,000
	communication	,429	,344	,349
	response time	,376	,384	,247
	support level	,531	,328	,380
	training standards	,385	,290	,358
	support loc. adapted	,547	,388	,385
	product quality	,261	,362	,361
	delivery performance	,219	,234	,204
	innovation	,298	,252	,285
	clinical evidence	,253	,336	,369
Sig. (1- tailed)	organizational setup	,000	,000	,003
	clear strategy	,000	,000	,002
	adequate strategy	,000	,000	,000
	competit. knowledge		,000	,000
	product knowledge	,000		,000
	marketing/sales tools	,000	,000	
	communication	,000	,000	,000
	response time	,000	,000	,003
	support level	,000	,000	,000
	training standards	,000	,001	,000
	support loc. adapted	,000	,000	,000
	product quality	,002	,000	,000
	delivery performance	,007	,004	,011
	innovation	,000	,002	,001
	clinical evidence	,002	,000	,000

a. Determinant = ,004

Correlation Matrix^a

		delivery perform.	innovation	clinical evidence
Correlation	organizational setup	,208	,336	,210
	clear strategy	,323	,250	,110
	adequate strategy	,361	,256	,202
	competit. knowledge	,219	,298	,253
	product knowledge	,234	,252	,336
	marketing/sales tools	,204	,285	,369
	communication	,241	,267	,347
	response time	,264	,137	,216
	support level	,342	,272	,249
	training standards	,263	,176	,314
	support loc. adapted	,267	,278	,289
	product quality	,313	,347	,349
	delivery performance	1,000	,272	,304
	innovation	,272	1,000	,371
	clinical evidence	,304	,371	1,000
Sig. (1- tailed)	organizational setup	,010	,000	,009
	clear strategy	,000	,002	,112
	adequate strategy	,000	,002	,012
	competit. knowledge	,007	,000	,002
	product knowledge	,004	,002	,000
	marketing/sales tools	,011	,001	,000
	communication	,003	,001	,000
	response time	,001	,064	,008
	support level	,000	,001	,003
	training standards	,002	,025	,000
	support loc. adapted	,001	,001	,001
	product quality	,000	,000	,000
	delivery performance		,001	,000
	innovation	,001		,000
	clinical evidence	,000	,000	

a. Determinant = ,004

Annex 3 Interview Data - Situational and Organizational Factors

Annex 3.1 Country 1

Annex 3.1.1 Situational Factors

Subsidiary size and business priority

Both total sales of country 1 and sales for SBU 1 are among the top 5 for SurgiSupplies.

Max points out that he generally works mostly with the top 10 to 15 country organizations. The following 10 he follows 'by the way' and the rest he does not get involved with at all.

Kevin states that, while smaller subsidiaries depend on central support particularly for marketing purposes as they have limited own marketing staff or none, larger subsidiaries often are self-sufficient. As they do not depend on central resources, they get more self-confident and see less need to strategically cooperate. *'Now when we for example visited country (country name), which ... considers itself ... a big and important country, and so the situation was much more difficult on the level that we were talking with them, they thought basically of us as intruders. They did not want to talk about everything with us, they thought (of us) like an inspection from central and why do we need to tell them things?'* He points out that, particularly for the larger country organizations who have large resources themselves, the central managers need to develop value propositions in order to convince them to cooperate with them. In this example however the subsidiary even declined investing in a business opportunity with a local hospital group that central managers had developed for them.

Local view point

Luke thinks that the level of cooperation of the headquarters with the different local subsidiaries firstly depends, and should depend, of the respective priority of the subsidiary.

Traditional SBU orientation of the individual subsidiaries

Subsidiaries that already have a well structured and professional organization for SBU 1, such as in country 1, in Max's opinion they are obliged to succeed in this product area not only by central but also by local standards. Those countries are typically aware of the open potentials in their markets and they know that they need to cooperate with the central managers to exploit them. It is with those countries that extensive strategy workshops are systematically organized to define practices and activities for future development. Also these countries have more complex problems than others as they have already exploited a substantial part of their market potential with the existing product line and need to look for new market opportunities. Max believes that this is particularly true for the local organization in case 1.

Local view point

An important aspect in Luke's opinion is the trust local managers have in the headquarters' managers and what he calls the 'religious confession' of the country organization, meaning their allegiance to different central divisional and SBU organizations.

As Peter usually does not have a single direct counterpart in the subsidiaries, he tries to get the individual and separate commitment to his ideas from all local stakeholders, usually the local division manager, the local sales manager and the local marketing manager if he wants to have a chance of successfully implementing them. Particular difficulties for him arise when a division manager does not have any personal practical experience with sales in this particular product group and when the local organization is very hierarchical. He finds the local sales managers on the other hand to be less difficult to deal with, as they usually share a common business understanding with him.

Cultural differences between the headquarters and the individual subsidiaries

Max thinks that there is a relatively homogenous international culture in his company, as many people have been in the organization for a long time. He also believes that open conflicts between divisions have calmed down over the years. On the other hand he confirms that this common culture appears only at the top and middle management level but not within the local organizations themselves, where country specific culture elements are dominant.

Peter finds that differences in the local subsidiaries concerning delegation levels have an impact on the complexity of his dealings with the subsidiaries. He states that while in case 1 the central sales manager and the central marketing manager are very independent in their decisions, in some Asian countries there are strict hierarchies that need to be followed where every decision always involves managers at least one hierarchy level up, hindering the decision making process and the speed of reaction. This is however not necessarily a top-down approach, as it often starts with convincing the lower hierarchy levels to prepare decision proposals for their superiors. Peter believes that these aspects are related to the general local mentality rather than a specific organizational culture. Many years ago he had spent some years in a local subsidiary himself and he found it a very important experience for his future dealings with subsidiaries. The most important things he learned was that the level of involvement of employees, or 'team-spirit' as he puts it, varies in the different organizations, meaning that the individual employee is not, like in his company's headquarters, always free to be critical, communicate every information to everyone, and to take or even be involved in decisions concerning their own field of activity. Most importantly he found that the information flow from the headquarters to the subsidiary was much more scarce than he had imagined and that he had to actually physically visit the headquarters regularly in order to obtain the level of information he thought necessary. *'Also, in some countries the boss is 'le Patron' who presides on top while the others pay lip service and nod everything through. So critique is not a good thing in all subsidiaries.'*^{xxxix xl} He

gives another example from an Asian country, where, in the preparation of the initial launch of his groups products, a local marketing manager had done a country wide market research including market price levels. When the negotiations of transfer pricing, that largely depends on local market price information, started, this manager suddenly was no longer part of the meetings: *'When the first telephone conference about pricing came, ... (name of the marketing manager) already did not participate. Then I enquired and got no answer. On Friday I then got an email saying that only two people would be involved in pricing. Why? Because they fear he could now escape with his new knowledge.'*^{xli}

Innovation performance

Local view point

Clearly, Ian believes to be operating in a very short-lived market with very high constraints on time-to-market. He thinks that there is not enough investment in research and development capacity to meet this market's standards. The local marketing manager who brought up the same topic independently added that when a product is launched too late, they will still be able to place it with their core customer base, but it will be impossible to use it for marketing activities and winning new customers.

Justin explains, that sales planning data is used at the same time for the manufacturing planning for implant and instrumentation sets for product trials and new customers. Sales and profit planning must be aligned with this investment planning for sets.^{xlii} This direct linkage of the availabilities of implant and instrument sets to the development of new business represents a particular problem for him as there are often research and development or manufacturing related delays that compromise the implementation of the sales and marketing activity planning for months or even years. When asked how the team reacts to this kind of situation he answered laughing: *'Serene, meanwhile serene. ... I think we have somewhat grown used to it.'*^{xliii}

Privileging the domestic market

Local view point

Justin admits to having specific advantages as his team is operating in the domestic market of SurgiSupplies and products are often being developed in cooperation with local domestic key opinion leaders. He believes that US competitors have similar advantages in their US home market.

Annex 3.1.2 Organizational Factors

Local autonomy

The only direct reporting line of the HospiMed's subsidiaries to the central headquarters is the one between the local general managers and the central board of directors. Kevin believes that it is the explicit wish of the company's CEO to totally delegate the sales responsibility to the local managing directors of the subsidiaries: *'...(name of the CEO) installs these people and tells them: 'I want you to run this company as if it were your own...'*. This central manager sees the advantage of this total delegation in the strong incentive for the managing director of a subsidiary to optimally respond to the local situation and obtain the best possible financial results. It is left to them with which product groups to obtain their results.

The central marketing head of this product group, Max, would strongly prefer a direct line organization to the current matrix organization, with a central business unit manager heading all relevant functions. *'I believe that ... creating business unit structures would help just to create simpler, clearer structures in the headquarters. And then also it's impossible that even between Marketing and R&D consensus is weak and we do not pull together, while ultimately the (market) approach should be strongly driven by central. And if there really were a business unit or a business unit head he would have a totally different standing in the countries as well ...'* ^{xliv}.

He believes that the lack of direct control over the central functions has an indirect negative impact on the relationship with the local sales organizations:

'And it continues versus production, versus supply-chain and into all the other functions. Here too, you actually need to constantly somehow gain good-will for your projects, so that purchasing will place the order and so on... I think that here, already, we're not strong enough. And the countries out there sense that too. Because we cannot assert a strong position versus the countries.' ^{xlv}

While stating that he 'can live with it', Peter, the central business development manager describes the effects of the matrix organization as enhancing communication but hindering decision making.

Local view point

Interestingly Justin, the local product manager of country 1 seems to agree to Max's view, as he would also prefer a direct line to the current matrix organization. Although he generally believes in the long-term better success of matrix organizations, he thinks that it does not work in a satisfactory way for his company as the necessary networking is not sufficient. He gives an example where the R&D department in SBU 1 had decided to develop their own instrument storage system, while there exists another department specialized in such kind of technology that might have done a better job, allowing the other department to focus on their own core competencies. Also he thinks that a direct line organization would allow the company to take quicker action and thus be more reactive to market needs.

Delegation and sanctioning

Max weighs advantages and disadvantages of SurgiSupplies' culture against competitors': *'I think this depends on the organizational structure and of course also of the organizational culture. I mean this breadth and also this balancing (of product groups) has often made us successful in many areas. And it is sometimes positive as well, that there is not an immediate call to replace everyone just because it does not go so well for half a year in a country or in a product group. And this also gives us the opportunity to drive concepts calmly and with good reflection... I believe that we do have*

advantages. On the other hand I do also believe that others have stronger mechanisms of defining and pursuing common goals and then also of drawing consequences.^{xlvi}

Peter also seems to prefer the culture in his company to 'American' corporate cultures as he states: *'Well, there is no American ado here, but simply a good, decent culture, where people mutually respect each other but do communicate, sometimes in the positive sometimes in the negative.'*^{xlvii} He gives an example of Medtronic, a major American competitor, where he considers the regional sales directors to have a lot of power over the subsidiaries. Both, the local marketing director as well as the central Marketing head believe that in American companies the staff-turn over is very much higher than in their company.

Max believes that the company has a special culture that is based on shared values, the long-lasting success of the company and people taking pride and enjoying to work there. On the other hand to him the company is very pardoning and it is very unusual for employees to be sanctioned, sometimes leading them to being less vibrant than they could.

Also he believes the organization to be very bureaucratic: *'Well I am certain that here at SurgiSupplies we have our own special company culture that is based on the yearlong success, on values shared between many employees, also a certain pride in working at (company name). We are however at the same time marked by a relatively pardoning company culture, the word 'sanction' being more or less unknown, which makes working relatively convenient but does not necessarily push us to our highest levels of dynamism. On top we have an extremely developed bureaucratic jungle that becomes intransparent and sometimes even irrational.'*^{xlviii}

Kevin believes that these differences are an important part of the company's culture that should not be changed: *'you always hear people talk about 'should we be more like the American companies?' and so on. I think one thing that is very important is that you can change things and you can change the way the company works without changing the basic cultural values that*

the company has. So I think, in whatever approach is taken, it needs to be made sure that the core company values stay the same. Because this is what keeps the company together and this is why people like to work where they work. ... because we say we want to increase the influence on the local subsidiaries, we should have an approach, that keeps the local strength, but that gets everyone more aligned to the strategy.'

Kevin further believes that more mature subsidiaries can be allowed to act more independently as for example younger subsidiaries or ones with less experienced staff. He therefore thinks in order to provide the appropriate guidance or leadership level for subsidiary activities it is important to be able to measure the maturity level of a subsidiary.

Concerning leadership styles all participants pointed out the strong difference of their company to American competitors^{xlix}. They believe that generally speaking, American companies have a much more centrally driven, directive approach to management control. Kevin gives an example from his former position at a major American multi-national corporation: *'... my personal thinking is that this is sort of an American versus a European approach. ... I think many of the American companies, they do have an approach that is very much central driven. And, for example from my experience working for IBM, there was a word which is 'execute', this was **the** word for every local subsidiary. So we had a central strategy defined in the US and then every local country had to implement it. ... In the extreme, we said 'do not think, execute'. ... if we now look again to the medical market, if a company like Ethicon for example they do have a nice new product, they can roll it out much quicker to the world than we. Because, it's not only because of this mentality but it's also because someone centrally decides: 'this is a high potential product and we're going to roll it out world-wide and starting tomorrow everyone world-wide has to do it' and they do it, because that's the mentality that's how this company works. So there is no question going to be asked if it is really appropriate or not in a local market, it's going to be rolled out.'*

Peter finds that country organizations are generally successful if they trust in and agree on the proven strategies suggested by central instead of trying to invent their own. On the other hand successful countries need to have a consequent implementation culture.

Local view point

Another example for a high level of delegation at SurgiSupplies can be found in local sales management. Asked about the process of determining customer activities for his sales people Ian answered: *'As long as the result is good, in my opinion it does not make a lot of sense to intervene. Everyone certainly has a different way of selling things. As long as he sells them, and sells them successfully, in my opinion there is no need for uniforming. To say, 'you always need to wear a red tie and be at the customer at 9 am', because the customers are also very different.'*¹

Impact of delegation on global strategy

The disadvantage of strategy delegation for Kevin lies in the fact that all four central divisions want to develop their business according to a global strategy and therefore might all require engagement and resources from the same country organizations. *'Now if we let everyone locally decide what they want to do, the effect is that our real implemented strategy is the sum of the local strategies because this is what we do in the real market.'* He believes that the cooperation and the participation to global strategies depends largely on the individual personality and likings of the respective general managers.

A common theme among participants was that local subsidiaries were not forced to follow strategic guidelines as long as their overall sales and profits were satisfactory. He states: *'... if you look at how we control the subsidiaries, it is still the, let me say 'old way' - they are good if they have growth, they are not so good if they have no growth, but we do not care where the growth comes from. Even if the growth comes from something that is absolutely non-strategic, that we do not really want to do the business from, Even if this is completely neglected and a local company has a*

good yearly result, they are the heroes. And this is for me the still missing link that we need to not only measure a company's result on numbers, but also on the level of strategic implementation.And then, of course this takes ... the cultural change in the organization ... So people do not only need to act like that, but they need to think like that and this is not something that you can change in a year or two.'

In Kevin's experience inconsequent communication and deployment of central guidelines by top-management can lead to difficulties in controlling the behavior of local subsidiaries. In his opinion the fact of allowing local exceptions or 'adaptations' is compromising the implementation of general guidelines. He gives the example of a company he formerly worked for, where he was charged with developing and implementing a strategic planning tool. When it was rolled out, some country managers who had good personal relationships with the owner convinced him to make exceptions for them not to use it, and the owner did. When this became known in other subsidiaries, the whole system was undermined and could not be successfully implemented. The lack of adherence to a global strategy in his opinion is also problematic because customers, in this case medical doctors, are visiting different countries for work, information or training events, so the brand image is not confined to individual countries.

Fighting over resources

The fact that four divisions, each of them with multiple product groups, are fighting for the same resources in every country without direct hierarchical power can be a source of conflict. As Kevin describes it for SurgiSupplies: *'... if we look at one central product group visiting a subsidiary, what they will do is basically ... try to sell their product to the local company in order to make them sell their products on the market. Now if we think about seven product groups and everyone is doing this it's sort of a confusion that is left to the local country, because they were told seven times you have to do our stuff, and we are the best'.*

On the other hand, as Max points out, this puts the local managers in a

position where they can play the different central product groups against each other:

‘And the countries also are quite savvy at playing this game, because they continue to pick, so to speak, ‘which product group is the most interesting for me right now’ and they like to jump from one topic to the other, and then sometimes there can be a gap in consequent goal achievement. If there are momentary obstacles in the market for product group x, well then maybe product group y has a cool new product or here in product group z they are launching some fairly good ones, they then sometimes shift very quickly and what counts for them is that the local result is ok. Well, I think we do feel it every day, it’s like that.’^{li}

As Kevin puts it, the countries keep a lot of decisional freedom what product group to invest in. He points out however that nowadays, in order to address the above issues, if they want to invest, they need to make a business plan that needs to be approved by the divisional headquarters so that the return on investment can be measured according to their own commitments as the investment is rolled out^{lii}.

Local view point

Ian, the local sales manager of country 1 points out that business mechanics are different from one product group to the other. In his opinion the requirement for the selection of sales people and also the leadership styles are very different from one product group to the other. The business development manager suggests that local managers often simply choose to invest in and work with the product groups they have prior experience with.

Short-term and risk-averse local strategies

Kevin seems to believe that sometimes strategic long-term investments in specific product groups can lead to inferior short term results and that local managers are reluctant to pursue such investments as they prefer short-term strategies.

The short-term orientation of subsidiaries sometimes can lead to opportunistic behavior. Max tells the story of a country where the products of his product group had not yet been launched. A local customer had the strong wish to use these products and convinced a local manager to provide him with them. The manager then simply confirmed in the planning system that he intended to invest in this product group. When they had received all necessary trainings, materials and instrumentation sets to satisfy the needs of this one single customer, they completely lost interest in the product group again.

Global cost and profit issues

Another related problem identified by both central marketing managers is difficulties with cost controlling. Max tells about his frustration with world-wide expenses in his product group exploding in spite of his long lasting own attempts to control cost within his central department. Even if high budget increases are not followed by substantial sales increases, in his opinion there are no sanctions against the responsible managers. He attributes this fact to a general lack of organizational power of the divisional headquarters. Peter gives another expense related example of certain smaller and comparably unsuccessful countries who tend to send more staff members to international events than their bigger and more successful counterparts, again without any well functioning control mechanism kicking in.

Sales management practice

Local view point

Even within his own sales organization Luke thinks that the different SBU teams do not know about the service activities of the others. Generally speaking he believes that the decision making processes and the decision makers of hospitals are very much separate for each medical specialty and thus also for each product group. So there are limited possibilities of sales employees from different SBUs to develop individual customer related synergies, with the exception of passing along contacts and aside from large

scale Key-Account management for hospital group purchasing organizations.

Ian thinks that leadership style depends largely on a manager's personality. Another aspect he finds is that with an experienced team like his it is possible to work on the basis of mutual trust rather than control, the level of delegation increasing with the maturity of an employee in his job *'If I have someone who has 30 years of sales experience I have to lead him in a different way than someone just out of college'*⁴ⁱⁱⁱ. According to Ian sales management control in his organization is largely performed by direct personal communication, once or twice a week by phone, once or twice a month in person and every two or three months in team meetings. He considers the transparency of sales results and activities of all sales people as being very high, due to well performing sales statistics and customer relationship management tools. These tools, as well as the incentive system, are the same for all product groups' sales teams in this country organization. He believes that, while local strategies in different countries can vary depending on the individual market situation, such tools could be standardized all over the world. Ian finds that modern communication and information systems have changed the communication with the sales reps. He describes how in earlier days the sales reps lined up at the post office every Friday to call their manager and received copies of the invoices once a week that the dutiful sales people recorded in filing systems and which the lazy ones just threw away. Today he says he has access to his people and the sales data 24/7 and his people have access to him.

In the beginning of each year the sales goals and the product focus are defined. However the sales people are, within budgetary and legal constraints, free to decide how they intend to obtain their sales numbers. The sales manager states that in past years they used to have a top five priority list which customers to develop but they had abandoned this approach in the face of missing opportunities due to the lack of new products.

When asked about how the sales people obtain their goals the local marketing managers says that this is primarily done during the annual

national sales meeting where the product focus is communicated and the corresponding training particularly for new products is performed. Then there is an official annual meeting with the responsible sales manager and the daily communication with them. The planning and objectives that are communicated at the national sales meeting are defined in the sales manager team meeting.

Concerning sales management Luke believes that the situations of country organizations vary largely as to their distribution channel (direct, agents or dealers), breadth of product portfolio represented by individual sales people, existing sales volumes, product focus and competitive situation. This is why all sales force decisions in his opinion should be left with the local organizations. Even compensation and incentive schemes he thinks cannot be standardized, due to different mentalities and salary levels. On the other hand he is convinced that the different country organizations should be motivated to work more actively on the improvement of their sales and acquisition processes. For example he believes that the individual subsidiaries should be more active in developing value added services customized to their specific country needs, alongside the physical products whose differentiation potential is continuously diminishing. These services are typically organizing courses for medical professionals with key opinion leaders as trainers, services helping hospitals to improve their processes or clinical pathways. Luke thinks that the central organization has only limited possibilities to develop such activities for the countries in a standardized way. Also the legal restrictions with respect to such activities are very different from country to country. A first step for the headquarters could be to simply collect a best-practice list of possible services performed in all world-wide organizations. Another important issue to him lies in the self-conception of the sales people, who need to change from product sales people to service sales people.

Also, Luke believes that CRM systems and sales reporting systems could be standardized.

Staff turn-over and loyalty

A particular problem with cooperation and control of the local sales and marketing organization, mentioned independently by most participants in country 1 is staff turn-over. Peter points out that particularly in the BRIC countries and generally in Asia there is a high risk that sales and marketing people will leave the company once they have acquired new competencies. He tells the story of a country manager who made a sales rep sign a binding two year contract before even allowing her to attend product training at the headquarters as this represents an important expense for him. Another example he gives is from a small country that the central product team had targeted for its high price level and a good acceptance level of their product portfolio. They failed to develop the necessary contacts because of frequent turn-over of the responsible local staff.

Max on the other hand regrets not having any influence on local staffing decisions. Sometimes sales people are taken out of the local team or sales people who become superfluous in other sales teams are attributed to his product group without prior notice to him. He also states that in many countries the teams are so small, sometimes only one or two people, that the departure of a single person represents a big problem: *'Well, in the end we have a network of individual people that our business-model is based on, and if the people break out we feel it immediately.'*^{div} He also believes that long-term success in his business is strongly related to personal relationships between sales reps and doctors that can absorb temporary shortcomings for example in the product portfolio.

Local view point

Justin believes that the successful team-work in his team and generally in the country organization he works in, is due to the fact that the team has not lost a single member for the past eight years, only occasionally adding new ones. Justin believes that their team has grown tightly together over the years and that the control mechanisms now do not need to be as strict, as he believes them to be in other companies. He finds that the task distribution has grown

naturally over the years and that there is little need for codified procedures. With the growth of the department, people have adapted to the necessities and have developed the necessary skills. As opposed to competitors, there is a high loyalty to the company and a close to zero turn-over rate. In his opinion the team also has been more successful for many years than most competitors who he believes to have more rigid sales force control systems. The reason why they are now facing challenges in his opinion is solely the lack of innovative product launches.

Ian remarks that in earlier days there had been a high voluntary fluctuation as the people they had hired did not fit the business. He believes that dealings are different with people he has worked with for a long time as with newcomers and for example attributes his good relationship with central marketing to the fact that he has known the central marketing manager for many years.

Annex 3.2 Country 2

Annex 3.2.1 Situational Factors

Subsidiary size and business priority

Both total country 2 sales and sales for SBU 2 are among the top 5 in country 2.

Local view point

Albert believes that the country 2 subsidiary has a very good standing at the headquarters and is treated with priority because, even though it has a very complicated regulatory system, the market prices are very high and the company therefore is very profitable, contributing strongly to the global profits of SurgiSupplies. He believes that the subsidiaries in two of his neighboring countries are treated with more distance and do not get as much attention, as they have low prices and similarly complicated regulatory issues.

Traditional SBU orientation of the individual subsidiaries

Mike thinks that country 2 has a special situation because, other than in most countries, the local subsidiary is historically focused more on SBU 4 than on SBU 2. Fred states that different country organizations and geographical regions develop different beliefs concerning what are the 'right' SBUs, according to their past successes and according to their assumptions about the future market opportunities. Sometimes they simply tend to invest in the biggest market segments.

Joe places the resource allocation problem even at a higher level, believing that general managers of subsidiaries that have a history of working more with other divisions of HospiMed than with SurgiSupplies, will continue to focus on these areas, potentially neglecting SurgiSupplies products over all. This can lead to difficulties for SurgiSupplies in rolling out world-wide product campaigns. He however points out that this is not the case in country 2, where SurgiSupplies has always had a strong position. He believes that a

problem lies in the lack of separation of the measurement of the results, as results from one division can be compensated by another. Also, concerning HR issues Joe finds it difficult to establish divisional strategies, because in different subsidiaries the organization might be too small or organized differently than the central headquarters and then there can be conflicting messages from different central divisions.

Local view point

Albert explains that his subsidiary historically has been focusing on the more implant related SBUs 1 and 5 rather than surgical process oriented fields like SBU 2. Every year they hired about 10 new people and allocated them mostly to these two focus areas and also did not pay too much attention to establishing a very strong management team for the others. They were often criticized for this from headquarters managers responsible for other product areas. At one point they started growing one of the newer and more innovative product lines of SBU 2, but that seemed to lead to even stronger neglect in the classical SBU 2 product lines, even sometimes declining sales in those particular product areas in certain years. Albert says that there is no real recognition in his organization for the classical SBA 2 product lines as there are many competitors, many country specific products that are difficult to supply, low SurgiSupplies market shares and in addition it is seen as a business area with low prestige. Albert concludes that the headquarters wishes are contradictory, as they cannot expect a subsidiary to produce excellent results and profits in one area and ask for investments into another, ignoring the local situation in pursuit of certain global visions.

Brand awareness and market share

Concerning the 'total solution' services concept, Fred believes it to be an important learning from recent years, that it might be more successful in countries with higher product market shares. The customers seem to be more confident in consulting services from perceived leading players, meaning the stronger the product brand is developed in a given country, the more successful the services concept will be.

Susan thinks that the brand awareness for SurgiSupplies is particularly low in country 2 and that SurgiSupplies does not have good contacts to the hospitals and need to rely on the customer relationships of their dealers. The 'total solution' selling approach in her opinion however requires a direct customer contact and relationship and the organization needs to change in this direction. Joe, a central HR manager, independently describes the same problem with respect to country 2. He recalls that the situation of relying only on dealers for customer contacts was exactly the same for SurgiSupplies in their domestic market (country 1) in the 1970s. In his opinion, the business for SBU 2 is the same in the various countries, because it is based on relationship management. He however points out that the way relationships are built and maintained might differ from country to country.

Local view point

James says, although he understood the value of the 'total solution' project when it was presented to him by central marketing, he thought initially that it would be extremely difficult to implement, and that with their weak market position he wasn't sure if they were able to alter the market in this direction. He says that the local marketing and sales team did not really understand the program at first. After they had learned about it they thought it was a very hard task to convince the hospital management to go forward with it. James believes that the most important error was in targeting the wrong hospital in this first pilot case. Once they had started the project, he believes that the initial targeting criteria were not clear enough for them. The customer had the intention to reorganize their stock but they had no intention to buy new products. Generally speaking James shares the opinion of his colleagues that all project efforts have lead to improved brand awareness in the hospitals and will eventually lead to additional future sales. He is however still not sure that this should be pursued on a nation-wide basis.

Market life-cycle

Mike gives an example of cultural difficulties that he has encountered in a large emerging country. He speculates that the fact that this country formerly

had a communist economic system still shows in completely different mentalities, needs and behaviors on within their HospiMed subsidiary but also on the customer side: *'We have the feeling that neither our own (local) organization nor the customer side is playing with open cards. Communication is always ominous and we haven't deciphered the code We have the impression that our solutions that are focusing on a combination of safety, quality and increasing efficiency aren't recognized, do not even find any interest whatsoever.'*^{iv} He and his team, after several unsuccessful attempts with the 'total solution' program are now speculating that the 'classical' marketing strategy of participating in medical congresses and convincing large numbers of medical professionals one by one, which has been practiced in the domestic market 30 years ago, might be more appropriate for this country.

Local view point

Albert points out that when he took over from his predecessor only some years ago he had the feeling that the communication between the headquarters and the country 2 organization was not satisfactory. The local organization did not respond well to marketing and sales programs suggested by the different SBUs at the headquarters or simply ignored them. He believes that this was partially due to the fact that this subsidiary had been showing steady satisfactory growth rates for many years until it went into a phase of stagnation only recently.

Cultural differences between the headquarters and the individual subsidiaries

Susan believes that in the corporate headquarters office the staff receive more creative liberty than in the country 2 subsidiary. She also feels that in the subsidiary respecting formal rules is more important than goal achievement. Also, in her opinion, headquarters staff can more easily make use of resources while at the country 2 subsidiary for example employees do not have access to internet and they need top level approval for any own initiative, limiting the autonomy of the staff. She believes that the situation could be largely improved if the department heads had more autonomy

concerning their budgets and staff decisions. She points out that employment decisions are taken at such a high level, that sometimes the required skill set is not well adapted to the requirement of the position and the department concerned. Besides these cultural problems there is a strong language barrier as the staff in country 2 does not speak very good English, the quality declining steeply in the lower levels of hierarchy. This is why a central expatriate manager, Susan, was assigned, who speaks country 2's language. She has helped a lot with communication. On the other hand Fred independently agrees with Mike's point of view, that country 2 is not well understood by the headquarters with respect to its mentality and market and customer needs. Susan on the other hand points out a certain level of commitment from country 2 to the 'total solution' approach, as they have however in the mean time created a local project team of five with two dedicated field positions.

Susan thinks that there are a number of rather banal issues that hinder an easy flow of communication between the corporate office and the subsidiary. She for example points out that while a number of younger female employees speak reasonably good English, they are not assigned to deal with the corporate office or if they are, they prefer to write emails instead of calling on the phone in order to save on telephone expenses. She also sees a certain rivalry between the marketing and the sales department, but she believes this also to be the case in any other country. The hierarchical decision making process however she attributes to the general culture of country 2.

Fred uses the terms 'open' and 'conservative' to describe the cultural difference leading to success or failure of the 'total solution' program in different countries. He believes that country 2 has a very conservative culture, where traditions and experience are of major importance. Generally speaking he believes that in his product markets there are too many different local needs and wants to cover and that the company therefore needs to be very restrictive with respect to customized country strategies. Also he thinks that due to the particular culture of country 2 it is difficult to interpret their true

level of interest. Although the general manager of country 2 had signaled high interest in the 'total solution' solution program, the implementation was very slow and limited resources were committed.

Contextual differences between different SBUs

Fred thinks that some SBUs represent special business models that are driven by implant sales rather than surgical processes. For these SBUs he thinks it is important to select the few most promising countries according to the individual competitive situation and invest over-proportionally. In the majority of others countries the company should simply not even be present with such products. However in the past decade the market has consolidated, forming giant 'one-stop shop' companies. In the long run therefore Fred believes, while the markets will continue to concentrate around surgical process related products on the one hand, and indication specific implant related products on the other hand, the company will need to limit the areas they want to participate in.

Privileging the domestic market

Interestingly Mike tells the story of having visited a convention about services management, at the occasion of which he had had the opportunity to speak to a number of managers from the same country but from different industries. He was surprised by the response from several of his fellow managers, who seem to apply innovative solutions exclusively in their domestic market. Mike summarizes their statements: *'Abroad? You do not seriously believe that we would confront our local prima donnas with such highly complex topics (such as value added services)'.^{lvi}*

Many years ago a first significant effort to improve sales results in country 2 had been made by creating 120 line items specific to this market, in order to propose a locally adapted and competitive product portfolio. This did not turn out to be a success as sales results still stayed far behind expectations.

Local view point

James feels that the central managers only see the huge market potential of country 2 and do not seem to understand that being in a follower position here requires different strategies than being in a leading position like in SurgiSupplies domestic market.

Annex 3.2.2 Organizational Factors

Delegation and sanctioning

Mike recalls that the guideline of the former global head of Marketing and Sales at SurgiSupplies was: 'all power to the countries', meaning that the countries were free to decide what strategies they wanted to pursue. But this has often lead to situations where countries did not see the bigger picture and did not let themselves be inspired by new solutions, many times with the simple argument '*in our market, things are just different*'. Mike thinks that many European companies are operating this way, while American and Japanese companies, such as Johnson & Johnson, Covedien or Olympus are more driven by corporate decisions that are rolled out rigorously worldwide. On the other hand, Mike is under the impression that the management of SurgiSupplies is currently trying to actively change this old doctrine of 'all power to the countries'.

Local view point

Albert believes that as a general manager of a subsidiary at SurgiSupplies he has much more autonomy than if he were working with one of the major American competitors. He has a monthly telephone call with the global head of marketing, however he has the feeling that the objective is more to find out how he can be supported from the headquarters rather than to be pushed to certain objectives. He thinks this is mostly due to the fact that SurgiSupplies is a privately owned company. He believes that the obligation of showing quarterly profits to shareholders makes a big difference for the management system.

Although he needs to report monthly, at SurgiSupplies the planning period is 12 months. Also he recalls being impressed by a conversation with a board member of SurgiSupplies. When Albert asked him why he had decided to work for SurgiSupplies he answered that he did not like the hire and fire attitude of American companies, cutting staff to ensure short-term profits for the shareholders, and enjoyed the fact that in the family-owned SurgiSupplies business taking good care of the employees was an important priority. Albert however points out that in his opinion reducing staff to ensure short-term profits to a certain extent was also practiced in publicly traded European MNCs.

Impact of delegation on global strategy implementation

Mike thinks that the matrix organization at SurgiSupplies leads to a situation where different central SBU managers develop solutions that they present to the local managers who pick and choose what they believe to be interesting in their countries. His experience in country 2 (and many other countries) however shows that the local managers do not actively pursue any of the headquarters' propositions on their own initiative. While in country 2 there was a decision from the local general manager to pursue the 'total solution' program, there then were difficulties in enforcing it locally top-down.

The creation of a central sales department in the headquarters separate from the marketing department, and headed by an executive team member, in Mike's opinion was a good decision. On the other hand he thinks that the implementation after 2 years still is weak, with one major world region being exempt from the new organization and the different central sales managers having very different interpretations of their responsibilities. He says that this makes it difficult for him as a central marketing manager to work with this group. His expectations from this department are to ensure local sales efficiency and focus and to actively influence structural resource allocation in the subsidiaries, however he does not believe this to be implemented yet. *'In manufacturing there is a guideline where every cross slot screwdriver needs to be placed and in sales it's: 'all power to the countries, just do what you*

think you need to do'.^{lvii} Also he says that his level of involvement with the individual managers is very different, with some he has very frequent contact and with others hardly any contact at all.

Fighting over resources

When asked about resource allocation conflicts with other SBUs, Mike states that currently SBU 2 is so successful, even featuring the top-growing single product line of the entire corporation, and that therefore they currently do not have limitations with respect to resources. On the other hand he states that this has not always been true and also it is not true. One of the major, and extremely profitable product lines of SBU 2, for more than a decade had been defined as a cash-cow with hardly any investments. He believes, that the cash gained from these products has been used to build up other SBUs and therefore they did not have enough money to internationalize this product group that is most successful domestically and only in one other major international market. He thinks it might have retrospectively been a wrong decision to be active in too many fields.

Fred believes that the company's product focus generally is too large. While he believes that the company will be able to continue to grow, it's presence in the individual segments will be too weak to generate over-proportional growth, the funds being allocated by giving everyone a slice of the cake.

While Fred believes in the principle of the value oriented resource allocation process of the company, he thinks that it is well established on paper but implemented in an inconsequent manner, because the company is just not capable of disinvestments, accepting the loss of existing business. *'...we do not work according to the American model, meaning I invest now and harvest later, but it is always a simultaneous investing and harvesting and harvesting and investing business model. Therefore moving forward in small steps means also moving backwards in small steps.'*^{lviii}

Short-term and risk-averse local strategies

Fred thinks that for the local general managers it is relatively easy to grow their business steadily with a wide portfolio from many or all SBUs, '10 miles wide and 1 inch deep' as he cites a former colleague often saying. However this way their local company will have difficulties in becoming a visible player in any specific area, and if it does, there are not enough resources to continue to grow this particular business past a certain market share. And he believes the same to be true on a corporate level – a presence in too many major market segments does not allow the resources to allow a critical mass of innovations in all fields to become a big and successful player while in any given field there are much bigger companies who solely specialize in that particular area.

Local view point

David believes that the implementation of the 'total solution' selling program in country 2 suffers from lack of staff. He is one of only two persons who are responsible for all of the field work for this project and he also entirely manages one complete other product line on a nation-wide basis. David's sales manager, Tom, independently agrees to these points. The cooperation with the headquarters for David is too time-consuming, as he needs to translate analyses and reports from English to Japanese for the customers. Tom who, much like David, does not speak English, admits never having received any training on the 'total solution' program, he just picked it up from his colleagues and his team. Tom believes that although the program can lead to brand building and can create long-term daily business there will be no initial big project sale, like in other countries.

James is more optimistic. He thinks that the 'total solution' selling program will be successful in the long run, increasing the chances of winning major purchasing projects and, with all the available IT tools that come with it, will also improve the accuracy and the efficiency of the treatment of such large-scale projects. This to him is important because the organization today spends too much time on such projects that can extend over a time period of

2 to 3 years. On the other hand he acknowledges that additional man-power will be needed to achieve this.

Sales management practice

Concerning the country sales organizations, Fred believes that they should be organized by market structures, or surgical disciplines rather than the internal company SBU structure: *'And with this definition of points of sales we must not pick too many, but we need to say ok we want to be in the area of visceral surgery, or orthopedics, or in neuro surgery or in cardiac surgery or in spinal surgery or in cardiology. But we must not again try to be present in all surgical disciplines.'*^{lix}

Local view point

Concerning big purchasing projects, Tom's organization sometimes receives information from their distributors, from specific journals or from their own customer visits about major hospital purchasing projects, for example when hospital are newly built or refurbished. They share an Excel File with all those projects but they need to prioritize them as such projects are very time-consuming and involve up to three sales people simultaneously, taking away from their daily sales activity. Although these projects are time-consuming, if the products are delivered timely and properly and the hospital staff is trained well, there is an initial large project sale and daily follow-up business can be created from it. While Tom does not have any experience with other countries, he imagines the process of sales management to be more or less the same everywhere.

He believes that this should be solved by having more strategic product discussions with headquarters managers how to win more market share. James says that local marketing plans are done entirely without the participation of headquarters managers. The local marketing managers usually present the finished plans to the central managers, and occasionally they modify them according to some feedback.

Annex 3.3 Country 3

3.3.1 Situational Factors

Number, size and business opportunity of subsidiaries

While total sales for country 3 are among the top 10 for SurgiSupplies, sales for SBUs 3a and 3b are not.

Adam and his team have grouped their countries into focus countries, extended focus countries and 'nice to have' countries. Aside of their quantitative business objectives, they have formulated qualitative goals, among which are to improve 'alignment and communication' with the subsidiaries and to develop a 'culture of implementation'.

Interestingly, the report that Adam uses to evaluate the performance of a country subsidiary with respect to their SBU 3a performance, is based on a ranking in comparison to the other SurgiSupplies SBUs. The objective thus can be interpreted as selling more SBU 3a products and being more profitable with them, as with products from other SBUs.

Local view point

George recalls that when he started a non-European country subsidiary many years ago, SurgiSupplies *'had no know-how in terms of guiding and leading subsidiary companies, or consulting with or helping them. The subsidiary companies were more or less on their own and it was on the local management of the subsidiary companies to establish relationships within the headquarters. I think that has fundamentally changed in the time when we really expanded and built new subsidiary companies and when the internationalization process of SurgiSupplies took place.'* The SurgiSupplies organization had thus learned only with time how to manage dozens of subsidiaries.

Traditional SBU orientation of the individual subsidiaries

Toni says that his involvement in the development of local strategies varies widely from country to country. While some countries are willing to accept his help, '*other countries know it all better.*' or they haven't even adopted SBU 3b products at all, yet. He believes that this has a lot to do with the general attitude of the top managers in the country towards the main office, and this he believes to be relatively independent of the different country cultures.

Brand awareness and market share

George points out that they had tried 'so many avenues' in particular with the main SBU 3b product range, but just could not compete successfully. As main reasons he gives organizational mistakes, product portfolio issues and product quality issues but also the excellent organization of the overpowering main competitor with 80 to 90% market share. Keith in his interview talks about an 'uphill struggle' to try to sell these products into the country 3 market, that the SBU 3b headquarters insisted on them continuing.

Marc believes that the organization for SBU 3a in country 3 simply had too few sales people to develop profound customer relationships and that one of the most populated areas could not even be covered. He is happy to announce that after one year experience with the CombiTeam a dedicated sales person for this area had just been hired. Marc believes that top management should get more involved in defining, communicating and implementing top focus products. He points out that some even European countries are not getting into SBU 3b products at all.

Marc would have wished in the past to have had an opportunity with country 3 to discuss options to avoid constant price reductions or to achieve better binding of the customers. On the other hand he acknowledges that SurgiSupplies has low market shares with SBU 3a products in country 3 and therefore also little supplier power. He was also disappointed that even in situation where the margin was still acceptable, lowering transfer prices for country 3 never led to significant increases in sales, as had been promised

by the local managers.

Cultural differences between the headquarters and the individual subsidiaries

The cultural aspect in Toni's experience with subsidiaries was rather that some country managers would pretend as if they intended to cooperate, and then acted differently, while others told him directly that for different reasons they could not engage in the projects presented.

Contextual differences between SBUs

Sean admits to having certain conflicts with the headquarters, as his market is very price sensitive and his team is not always capable of maintaining price levels and that has led to disagreement with the headquarters in the past. *'You know, they see that we have to hold a certain price, for particular products, and it's not always for the good of the business. And often conveyed to the detriment of the business ... we'd have to lose business based on that. But often ... we come to a mutual agreement whereby we will implement certain things in country 3 and they will support us in other areas to try and overcome that. So initial conflict is generally ... sorted out.'*

'So I have to overcome that and present rational as to why I'm not introducing that product at that particular time. And it may be that it's not resource efficient, or it may be that just in the (country 3) market that's going to be a very, very difficult product to introduce to the market for x,y and z reasons, not necessary relevant to resource. It could be pricing, it could be, you know, getting competitive strength over our particular products, and that can be met with conflict. But, again, I think it all comes down to an understanding of the (country 3) market and that, you know, we're best placed to make the right decisions of products coming into our markets. So there is general conflicts like that.'

Sean was handed financial objectives for the CombiTeam, but was given the liberty to choose the products that he divided into 'core products' and 'focus products'. He believes that, while he consulted with his central counter parts,

this decision could only be taken by him, as the country 3 *'market may not necessarily operate in the same way as lots of other markets within Europe. And that was the reason why I was giving that particular product a back-seat as opposed to giving it a focus.'* This however also can be a source of conflict: *'...this fall there's a product that's coming to the market, I believe is going to be resource and time intensive and is going to limit the potential sales of other products, I won't introduce that product to the market... And that could be met with conflict.'*

3.3.2 Organizational Factors

Autonomous subsidiaries

Adam points out that in his opinion the matrix organization works well for the coordination within the central functions of the organization, such as R&D, manufacturing, quality management etc., even across different sites in different countries, but it does not work in sales. Adam believes that the problem lies in the coordination of the interaction of the various people involved: *'...to say it in business administration terms, there is division of work and there is unification of work. Division of work here means operational structures, there is SBU 3a ... that is strategic marketing, and local structures ... everyone has a little bit of responsibility, there is a division manager in the country, there is a general manager in the country, ...then there is central sales, there are all kinds of groups, then there is the regional head. How is the interaction of these people, that is the unification of work. And I do not believe this has been solved yet.'*^{4x}

Local view point

George is given strategic targets by his board for overall sales and profits. It is his responsibility in what strategic areas he believes he can best achieve those goals and to define the necessary resources. *'And, I think, not every organization can afford to have growth projects in every single SBU. There*

are certain SBUs who are on stand-by. Who are cash-cows, more or less. And other SBAs who are really soaking up resources. And I think at the end you need to have this healthy mix, so at the end you need to grow and you need to deliver a reasonable result.'

Level of delegation and incidence of sanctioning at SurgiSupplies versus competition

When asked about how SurgiSupplies compares to his competitors, Adam believes that these have much more central control, e.g. if they launch a product, every country needs to launch it, set aside regulatory constraints. He on the other hand needs to convince every country and eliminate all objections and 'excuses' individually and there is no pressure on the local managers. He is particularly upset about the fact that he cannot even initiate world-wide bonus or sales campaigns. Adam does not believe that the central sales department will be able to improve these issues. He thinks that the source of these issues lies in the fact that the company is divided into four divisions, and that a relatively small activity such as SBU 3a then needs to be attached to one of them.

Local view point

George believes that his American competitors are more financially orientated than HospiMed and SurgiSupplies. He thinks that, while the necessary resources will be made available, there will be a lot more pressure in attaining results. On the other hand he believes that the local managers there too (he gives the example of the general manager from the company Ethicon in country 3, who he knows personally) have a lot of autonomy in how to achieve the results.

George recalls that in the period before the CombiTeam project, when his organization wasn't performing well in SBUs 3a and 3b, the relationships with the respective headquarters managers degraded over time and the responsible teams became more and more frustrated and lost confidence. Keith equally perceived that the communication at the time could have been

better, but he believes this to be natural when results aren't good. Importantly, George points out that all suggestions from central managers to improve the situation involved even more investments, that would have at least short-term worsened the financial situation.

Impact of delegation on global strategy

In Toni's opinion the implementation of the divisional strategy is very inconsequent. For example, a divisional guideline that had been published more than 5 years ago, stating that all country organizations were obliged to pursue significant market shares in the designated core-business SBU 3b in order to generate cash that could then be reinvested in other SBUs, this guideline had never really been enforced. With the CombiTeam, country 3 even took the decision to deliberately disinvest in this product group.

When asked about the reasons, he says that the company was very much in need of harmony and eager not to frustrate particular individual interests. *'There is certainly not a second company of that size that is equally in need of harmony. And that leads to everyone being allowed to fiddle around a little bit...'* ^{lxi}

He speculates that the concentrated, strong top leadership of family owned businesses might lead to a need of harmony in subordinate levels, as people help each other to have a good standing in front of the top managers. He points out that in the two publicly traded large corporations he had worked for earlier, the discussions had been much tougher and more factual.

Adam gives the example of a country where he believes the responsible manager for SBU 3a to be incompetent. He considers another person in the same organization to have the capabilities of taking over this business in addition to his current activities, with a potential of producing better results at lower cost. He has told the managing director of this country his opinion several times, without success. Adam thinks that this manager and the general country culture there is 'needy of harmony' and therefore no measures are taken to resolve this issue. Adam also believes that the

international sales department will not be able to resolve such issues.

Local view

George makes it clear that his intent is to focus his investments on other SBUs than SBUs 3a and 3b and that the CombiTeam project really serves to cut losses to better serve these investments. He underlines that while, according to the central SurgiSupplies strategy, it is mandatory for all countries to push SBU 3b, it was also the wish of the headquarters to define a more focused product strategy. George convinced them that to really enter into the market for SBU 3b in his country would require an enormous investment with a questionable ROI, while there were much better opportunities with other SBUs, so in the end the headquarters agreed to the CombiTeam project. Keith points out the useful role of the senior vice presidents of marketing and sales in moderating these discussions and ensuring that the overall company perspective was taken into account.

Concerning local marketing plans, George is convinced that they cannot be detached from global marketing concepts. On the other hand he thinks that it is the local responsibility to define priorities and allocate resources to the different activities to insure the overall achievement of the financial goals. *'And I think that autonomy, at least in the past I think SurgiSupplies had in country 3 And, at the end, you know, I think it's also very important that you need to have a certain track record that head office has confidence that you will deliver what the overall strategy has set as an objective. And as long as they have the belief, that you operate within those parameters, I think the autonomy to drive local concepts, concepts and local strategies, ...will be still there in the future.'*

Much like George, Keith refers to the global marketing strategy in his own planning: *'...we try to comply with all the basic requirements, the top 8 requirements in fact, of the strategy internationally and distill it down to our local activities . So I think it has a very major impact on how we execute our plans here in country 3.'*

Inconsistencies between different divisional policies

Toni has some ideas that would help improve the situation. For example in his opinion the 4 divisions should have the same geographic regional breakdown of their countries. Also, in the domestic country of HospiMed, for traditional reasons, HospiMed and SurgiSupplies are still two relatively independent companies, inconsistent with most other parts of the world, and with various different independent sales organizations, that are also confusing the end-customer. In particular he believes that the local surveillance boards should be trained and obliged to support planning systems such as the new value oriented resource allocation tool, in order to avoid contradicting messages. Toni believes that the company needs to decide if they want strong local entrepreneurs or strong central decision making. *'I think responsibility is indivisible. Either the local person has it or the central. It's that simple.'*^{dxii} Toni is not sure if these inconsistencies are maintained deliberately by the top management as part of the overall philosophy of the company, in order to create diversification of the organization and diversification of risk or if they are just not really visible to the leaders.

Global cost and profit issues

Adam gives an example of his today limited control capabilities: *'...when in country x the direct selling costs are too high, I can talk to ... our controller, she writes them accordingly and we get a nebulous response and that's it. And then we can repeat that and at some point we just do not get a response any more...'*^{dxiii}

Local view point

George points out that there is a conflict of interest between the headquarters and the local subsidiary concerning transfer pricing. They had significant transfer price increases sometimes exceeding 30% in the past years in another division of HospiMed.

While the headquarters always insist to consider only world-wide consolidated country results, the managing directors also have a local responsibility and legal obligations concerning the results of their legal entity in the country. For example if transfer prices are raised and profits are reduced in the country, the local tax authorities can claim that profits are deferred outside of the country. *‘...because in the end it’s the consolidated result that counts, which is true to some extent, and maybe the divisions look at the consolidated results, but at the same time we have a legal entity. And the legal entity has to fulfill certain legal reports, and at the end we do our final accounts for the legal entity...’.*

Also, changes in transfer pricing and cost allocation are often communicated on short notice, interfering with the financial planning of the subsidiaries. This is why George thinks that regular institutionalized meetings of the divisional board members and the managing directors of the leading countries would be beneficial. In his opinion, board members are not always aware of these problems. Individual cases of such issues can be resolved in the local board meetings, however the underlying causes are not addressed and similar problems will continue to arise.

Pricing Policy

Adam talks about how transfer pricing is an important point of discussion between central and local managers. Transfer prices are usually calculated on the basis of local market prices, ensuring satisfactory local and central margins. In the case of country 3, the market prices for certain SBU 3a products reported by the local organization were so low, profit margins fell below central minimum expectations. *‘When a market offers a price level that at SurgiSupplies cost rates lies below manufacturing cost, then there are only two options: either we can enforce a higher price in the market, or we get out of this business. But we have the ‘silver bullet’ (ironic): we reduce the margins for HospiMed. Just not to discourage the people, as long as there are no losses (globally).’*^{xiv}

He tells the story from another country with a similar situation where the local

managers of a low cost, low price market proposed to source local components instead of using the one's proposed buy SurgiSupplies in order to be competitive, however Adam believes that such a solution might lead to quality problems. Generally speaking therefore Adam in the end appreciates the CombiTeam project, as it is a solution to such problems, even if compromises need to be accepted.

Fighting Over Resources

The fundamental problem of HospiMed for Toni lies in the fact, that there are not enough resources for investing in all different product areas in such a way that they can exploit their full potential. Toni believes that conflicts of interest are essentially concerning resources and that these conflicts are inherent in the divisionalized matrix organization. Earlier in his career, Toni was a general manager of a HospiMed subsidiary so he knows both sides of the coin: *we are just convinced, and we are also paid to see and feel it that way, that our product lines have a large future growth potential for the group. And obviously we need resources for that ... And the poor general manager of a subsidiary, ... he needs to choose where he puts his money.*^{1xv}

Toni points out the contradiction of SurgiSupplies in proclaiming the need to focus, but in reality continuing to further develop products into more and more segments and niches. He believes it would be a good idea to organize a strategic workshop on how to benefit from the breadth of the portfolio instead of pretending to have a focused market segment strategy.

Adam thinks that managers responsible for multiple SBUs, due to the complexity of the entire product portfolio, often cannot evaluate or verify the 'excuses' that are put forward by local managers why their particular markets do not lend themselves to particular products and then also fail to develop a real influence. Also, getting too involved might demotivate good local managers who might decide to join the competition if the pressure gets too high. Adam suggests to have a meeting moderated by an external consultant with representatives of different SBUs in order to find synergies. He points out that, while everybody should have the success of the company as a

whole in their minds, marketing people really only know about and work for their SBUs.

Local view point

George believes that the competition for resources is not only there on an SBU level, but on a higher level between the different divisions.

Short-term and risk-averse local strategies

Toni believes that subsidiary managers use the large product offering of HospiMed to diversify the risk of their investments. By establishing and maintaining sales channels for several or all SBUs, they can avoid to depend too much on the success of few. Also, by investing a little bit in every SBA they can be friends with all the central marketing managers who will then support them in difficult times.

Marc states that in his opinion most country organizations do not even have an explicit strategy, but they either have leaders who direct the business according to their own ideas or they are just reacting to present business opportunities.

Adam thinks that his relationships with the subsidiary managers is defined by HospiMed's strategy of carrying a large product portfolio and leaving the local portfolio decision to the local managers. In most countries this is not a big issue for Adam, as the local managers usually have a lot of 'good will' to sell his products.

On the other hand he gives the example of a country where communication is difficult in spite of comparably good results.

Like Toni, Adam believes that the country managers are acting risk-averse, because they believe it to be risky to invest in a new technology that is not yet adopted in their country. He gives an example of a country general manager who is close to retirement and for whom in Adam's opinion these investments have a too long payback period for him to reap the fruit.

Sales management practice

Marc sees the objective of the CombiTeam in bundling man-power to be able to address a larger customer base and to reduce traveling time by covering different departments in the same hospital.

Local view point

In order to deal with the small sales force of only 4 individuals, Sean has asked all sales people to identify 4 geographic clusters of 4 to 5 target hospitals within their sales regions according to potential sales expectations. They are expected to visit each cluster on a bi-weekly basis and sell all focus products into the hospitals. They were granted some additional freedom to visit prior existing customers outside of these clusters to maintain sales there. Sean believes that this kind of customer planning and sales call rotation is a fairly standardized industry practice. He also believes that the reporting of sales figures could be standardized on a company-wide international scale. On the other hand he thinks that the lay-out of the activity reporting of sales people should be left to the individual sales managers, as the needs differ in the different product lines and situations.

Keith believes that from a sales management point of view it was essential for the CombiTeam project to ensure proper education and motivation of the sales force.'

'It was a culture change for them. Some of them maybe were in a comfort zone and maybe moved in a uncomfortable zone. With learning new products and customer groups. But I think it was important to reassure them that they had the intellect, they had the selling skills and they had the ability to move into new markets with new products because basically they're good sales people, so it is important to get complete understanding from the local sales force. To get on board with the project early, otherwise early you are fighting an uphill battle.'

Keith believes that successful sales management depends on recruiting good

sales people, training them, motivating them with ambitious goals that are rewarding for them, once achieved and to retain them with long-term career opportunities.

He thinks that in the business for implantable devices, only very experienced and highly specialized sales people will be successful, and that such sales people need a very low level of supervision and monitoring. They can be evaluated essentially according to their sales results. *'I do not think it is appropriate with highly skilled, intellectual joint replacement sales people to microscope manage them. I do not think that's required. People who do well in something like Orthopedics, it's their life. And they live it and those who do not, do not. So I do not think you need to micro-manage these people. However those who are not performing accordingly, we can't afford to keep them. So, we do not.'*

He acknowledges though that lack of performance can have multiple reasons that need to be identified and addressed before taking the decision to separate from a sales person.

On the other hand, Keith thinks that the required skill sets and experience for sales people differ largely between product groups. Generally speaking he believes that less qualified and experienced sales people require more monitoring. *'The personal relationship skills and the long-term personal relationship partnerships with a knee replacement surgeon are radically different to somebody working with disinfectants and hygiene. Hand wash is a world away from spinal surgery. So it's definitely different.'*

The purchasing decision makers for implantable devices are surgeons as opposed to OR managers or hospital administrators. Keith believes that for this reason sales management for implantable devices, that is also the focus for the CombiTeam project, is different than for equipment or consumables, which he believes to rely *'much more on CRM models and call-rates and frequencies, etc.'*

'I think some buzz words for the Orthopedic person would be expertise,

tenacity, intelligence, depth of experience in the subject, the ability to talk, just to talk conversational orthopedics is vital for an orthopedic implant person. I think for a person selling surgical instruments, they just need to be nice guys who is able to guide a customer through a conversation. They do not take time to be alongside the surgeon in surgery. Case coverage. 24 hours a day, 7 days a week if need be. But the Orthopedic person has to be that, the instrument person does not have to be that. So it's definitely different in terms of the skill base required, for sure.'

While he is quite happy with the project, acknowledging that it is still in an early stage, Sean sees a challenge with the diversity of the customer base with many different surgical and other medical specialties. *'So you'd have to build a level of expertise in terms of product knowledge, anatomy and physiology and understanding of indications, in many different areas. And that's the biggest challenge for the sales team. And I think, the biggest challenge as I found it as a national sales manager is keeping all the balls that we're juggling up in the air. And it gets to a point, that you do lose a certain level of expertise if you like in a particular product area because you, you do have to spread yourself quite thinly.'*

Staff Turn-Over and loyalty

Adam's experience is that whenever there is a high staff-turn over the performance over the years will be difficult that is why he is running a turn-over analysis for the top countries. He points out that one of the strategic guidelines of HospiMed is sustainability, meaning to have a long-term vision, that can in his opinion only be achieved with loyal staff. Therefore he thinks that long-term carrier development is key to a successful organization. On the other hand he gives the exception of a reasonably successful country for SBU 3a, where the local division manager has managed to personally maintain the key customer relationships over many years in spite of a notoriously high turn-over rate in his organization. In Adam's experience, physicians who use a lot of implants want to have long-term reliable partners and they only develop trust if the sales force is stable and the division

managers are involved in the daily business. *'Because a user who is responsible for a large budget in the hospital, ..., wants to feel that he can work adequately, legally correct and long-term with a company ... How should he get this feeling when the faces change all the time and on top there is a division manager who does not know the products and does not visit the customers... And when there is no trust, then we can talk for days about products or prices, it will not help.'*^{lxvi}

Marc recalls that at one point the 'dedicated sales force' for SBU 3a in country 3 was reduced to the person of Sean, who later became the sales manager for the CombiTeam, and one single rep, trying to cover a major European country. He believes that the investment into this business was simply too small to achieve a critical mass. SBU 3b at the time had 5 people.

Adam believes that the reason for the poor results of his SBU lies in the failure of the local managers to create and maintain a good sales team. He is convinced that with a steady and motivated sales team this activity could have been successful and that the most important strategic objective today was to stop people from leaving the company. Adam points out that the sales teams in the top 10 countries for his SBU are well organized and that there are only few countries with problems like in country 3. Generally speaking he believes that attractive products and qualified and motivated local staff are the key to success in countries, while he acknowledges also a strong influence of the local market situation. On the other hand he does not believe to have any influence on the selection of staff other than in the domestic country of SurgiSupplies, where the sales team is in the same legal entity as his own organization.

Keith believes that aside discussions on transfer pricing and in-market pricing there are no particular conflicts with headquarters at present. There were more conflicts in the past but as the organizations and many of the people within these, have been dealing with each other for a long time, emotions have calmed down, people have found ways to communicate better and conflicts have been resolved. Keith believes that the SurgiSupplies team in

country 3 has focused on the more complex field of implantable devices as opposed to equipment and that has required to build higher skills and ultimately this has led to an improved quality of the personnel and a higher company loyalty.

Annex 3.4 Country 4

Annex 3.4.1 Situational Factors

Total sales for country 4 as well as sales in SBU 4 are within the top 15 of SurgiSupplies. Both are expected to be within the top ten within few more years.

Traditional SBU orientation of the individual subsidiaries

Also Daniel believes that more specialized Managers are needed for the Medical Device Business of SurgiSupplies than for the Pharmaceutical products from other divisions of HospiMed, and that the top management in country 4, coming from these other divisions, do not truly understand this. A much larger product variety and the necessity to have all implant sizes available daily in the hospital in his opinion puts much higher pressure on SurgiSupplies sales staff and customer service than in other divisions.

Only in 2007 had this business been put under the control of the country 4 subsidiary. And according to William, at this time this activity had not been successful. As opposed to all other SBAs it was decided to keep selling SBU 4 products via distributors, even when this activity was moved to management by the subsidiary. This change however was not without difficulty as prior involved staff and distributors were confronted with new ideas and strategies, leading to certain power struggles and the new management did not have experience in the field of SBU 4.

Local view point

While William does not recall having had any major conflicts with headquarter managers, he believes them to have certain reservations towards the country 4 organization because it's original background is from selling pharmaceutical product lines rather than medical devices. While William understands these reservations and shares them when it comes to hiring candidates with a background in pharmaceutical sales and no prior experience with medical devices. On the other hand he points out that they

had always been selling certain medical devices in the past and so they did have some prior knowledge about the mechanics of these markets.

Brand awareness and market share

Oliver points out that the competitors are always the same world-wide oligopoly but that they each of them vary in competitive strength from country to country. To gain a substantial attractive new customer for SBU 4 products usually takes at least one to two years and a very proficient sales and marketing structure is necessary to present the offering in a way that the customers follow the differentiation argumentation.

Market life-cycle

The biggest difference of the individual markets to Oliver lies in the extremely different annual growth development, with a spectrum of high growth markets to even shrinking markets.

As country 4 is marked by very large daily consumptions of implants and generally difficult logistics, a professional supply chain and local customer support are crucial success factors. HospiMed has run a very large world-wide supply chain optimization and inventory reduction program in recent years. Oliver believes this program to be a big success, as inventories have decreased dramatically while product availability has rather increased in the same period. On the other hand in his opinion the supply chain is not capable of coping with the individual demand of emerging markets, particularly the BRIC countries, with annual growth rates beyond 30%. He does not believe this to be an inherent default of the matrix organization, with contradicting targets of different departments, but he sees it as a crucial job for the central sales department to identify and communicate such differences in local demand to the central supply chain managers in the form of financial planning, investment planning and inventory planning.

William believes it to be a specific situation in country 4 that rather than entering existing markets, markets for complex medical products, be they

medical devices or pharmaceuticals, needed to be created from zero. He thinks that the creation of new product segments is a particular capability that his organization has developed over the years.

'... we create(d) this market and after that we created our sales. (It's) the same situation with SurgiSupplies. ... Without creating demands for our products it seems to me that (it would be) quite difficult to make any sales in country 4. Maybe (there is) a little bit more simple situation in other countries, (where) I can see that (it is) quite important ... not create, but to find demand.'

Also he believes that there are very limited financial resources for the medical system of country 4 and that therefore the overall price levels were very low.

Cultural differences between the headquarters and the individual subsidiaries

Daniel thinks that the mentality of people in country 4 is very different, and is ill understood by central managers. Decision and communication processes are very hierarchical and people do not disclose information unless they are explicitly asked for it. He gives an example of an IT project, where a central software was supposed to be installed in the country 4 subsidiary and the local organization did everything in their power not to make it work, because they did not feel that their opinion had been considered enough.

Daniel thinks that business models need to be different from country to country, for example he does not believe that direct patient marketing can work in country 4 because they are too old-fashioned. Also, even in their business dealings, country 4 people like their partners to be affectionate.

Other contextual specifics

Another particularity of the country 4 market is, that items are hardly ever purchased individually, but always in large tender biddings as a bulk with other products. The price level in country 4 for SBU 4 products is relatively low in international comparison and still diminishing.

Also, in country 4 is a lack of customer loyalty. Due to fluctuation in the surgical and in the administrative staff, hospitals can be very volatile in their selection of suppliers from one year to the other which makes the forecasting and business planning very difficult. This is very untypical for the SBU 4 business, as in other countries, hospitals can be reliable customers for years or even decades.

Due to customs regulations the delivery time from the central to the local warehouse is 3 weeks whereas in many other countries overnight shipping, frequently directly to the customers is possible. Also shipping within the country takes unusually long. In addition, the surgical departments in country 4 are very concentrated and thus daily demands from large hospitals are unusually high. All of this results in a situation where the usual SurgiSupplies procedures for local stocking become inapplicable and even minor mistakes in shipping, that in other countries usually can be easily corrected in a reasonable time-frame, in country 4 can lead to disastrous delays on the customer side and a lot of frustration for the country 4 staff. This is why they have established an unusual and costly 100% control of incoming goods from the mother company. Harry thinks that improving logistic services for country 4 would be the most beneficial activity the headquarters could pursue. On the other hand, in Harry's experience it was difficult to convince the central supply chain management of these peculiarities:

'...we spent the whole day explaining this to them. But of course he has his guidelines and tries to implement them and he says, 'I have 3 or 4 months of (monthly) demand on stock, that's too much we need to cut this down to, say 6 weeks.' That's illusory, illusory ...'

Much like SBU 1, SBU 4 requires a lot of up-front investment in equipment and implants before a customer can even start to operate. The risk of this investment usually lies with the supplier, so the manufacturer and the dealer need to negotiate how they share this risk. Thomas summarizes that the customers usually approve of the high quality of SurgiSupplies products, but thinks that SurgiSupplies has poor overall service and logistics. The central

supply chain managers have analyzed the countries stock levels and come to the conclusion that the stock level is far too high and also ill distributed between the different product levels. This has led to a very defensive reaction by the local managers who believe that overall difficult logistics and transportation, long customs procedures and resulting import delays as well as volatile demand in country 4 require a much higher stock level than in other countries.

Daniel points out that SBU 4 requires a high level on-site service support, in some countries sales people are even expected to attend every single surgery where their material is used, and that the subsidiary managers in country 4 in his opinion haven't fully understood that, believing that a good relationship with the decision maker is sufficient, like it can be the case in other SBUs.

Privileging the domestic market

Local view point

While William points out that there is a situation of trust between him and his counterparts from central, ('...*very good that we can rely on each other...*') he believes that the overall company vision is too much guided by the ideas of the domestic market of SurgiSupplies and that the country managers do not have enough possibilities to contribute their specific country needs. '*The main idea (is) what is good for (the domestic market) should be good for everybody.*'

William does understand that the domestic country has the biggest overall sales volume and that it requires special attention but he thinks this is hindering the company to develop a true global vision. He gives the example of a recent major product launch into a new market segment where the staff from country 4 had never been asked their opinion about their market requirements. '*Nobody asked us, what will be the set of peculiarities, of advantages that we should have with such kind of product. It's not a big deal to collect such kind of information and to send (the) answer about it. But we*

did not send anything because there were no requests for that... This is quite (a) typical situation.'

Annex 3.4.2 Organizational Factors

Local autonomy

Generally speaking Harry was somewhat disillusioned by his job as a central sales manager, as he realizes the limited vigor of the matrix organization at SurgiSupplies: *'... naturally, I wasn't aware that ultimately in our matrix organization everything is non-binding and without commitment.'*^{lxvii}

Local view

Only 2 months before the interview with William there had been a series of meetings between top managers from country 4 and the headquarters to decide on what SBUs should be invested in. The result of the meeting was, that country 4 saw a lot of potential in many SBUs and wanted to invest in all of them, essentially reinvesting the entire annual profits. Headquarters did not agree to this and much to the frustration of all participants the final decision after a lengthy and time-consuming planning process was that the country 4 organization should invest in whatever SBU they liked as long as they assured a certain defined bottom-line profit.

William states that it was the first time they had had such a discussion and his feeling was that it was a new experience for the headquarter managers as well. On the other hand he thinks that such a procedure was quite normal for other companies and he is quite ready to have such discussions in the future, even though he thinks that the process needs to be improved.

Impact of delegation on global strategy

A priority for the country 4 subsidiary for Harry would be to establish a subsidiary board including other senior managers than the two general

managers. These, in his opinion are too much driven by their own benefit (at the time of the interview each of them still owned a minority share of the subsidiary) and therefore sometimes controvert central goals. Only with such a change he believes could the world-wide company culture of HospiMed be established in the country 4 subsidiary.

Fighting over resources

Local view point

William says that Thomas, a central business development manager usually proposes certain recommendations that they try to follow, concerning the development of their market. While he considers some of these recommendations helpful, others weren't as they did not take into account the peculiarities of the country 4 market. For example he believes retrospectively that it was a mistake to concentrate on a single implant product line in SBU 4, as recommended by the headquarters, instead of introducing other products more quickly. On the other hand he admits that this is largely a problem of resource allocation, not only within SBU 4 but also concerning all the other SBUs.

Short-term and risk-averse local strategies

Harry was surprised to discover that in his opinion the subsidiary of country 4 did not pursue any identifiable strategy, but drove business in an opportunistic way according to short term business opportunities. As the organization displays reasonable growth Harry now is no longer sure, if in a situation like in country 4 a strategic approach is even necessary. In any case he believes that the local organization is not mature enough to pursue a structured approach.

Oliver, the central marketing head for SBU 4, believes that the cooperation with the subsidiaries is primarily marked by the autonomy of the subsidiaries to decide which of the SBUs to invest in, and to perform investments in a sustainable way. Whenever there is a commitment to invest in SBU 4, in his

opinion there will also usually be a good, while mutually challenging cooperation.

In Oliver's experience problems arise, when the market situation is difficult or the SurgiSupplies product line does not meet the local market requirements or when there are internal organizational restructurings. It is to him often not clear on which basis or arguments investment decisions are taken.

In such situations the local organizations often behave in an erratic way, taking quick investment or disinvestment decisions that do not allow for the kind of continuity that Oliver believes to be of major importance for all medical device markets, but particularly for SBU 4. He usually accepts whatever local argumentation not to invest in SBU 4. On the other hand he has often encountered the situation, that a euphoric decision to invest in this SBU was taken, but the time to establish a solid market presence was underestimated and if the financial return could not be achieved within the original planning period, the project was abandoned all in all, a major mistake in Oliver's opinion.

'In my opinion that's the crucial point, yes, how much stamina they have.'^{xviii}

Another aspect brought forward by Daniel that complicates strategic planning in country 4 is the fact that large projects can be decided and initiated spontaneously on a high political level. If the strategic plan of the subsidiary is focusing on one surgical specialty and the government decides to shift all funds to another, then the company might also need to quickly reconsider its strategic focus.

Inconsistencies between different divisional policies

Daniel believes that while the market for SBU 4 products is developing quickly in country 4, SurgiSupplies is not really participating in this growth due to lacking man-power. The local organization is claiming not to be able to find qualified staff. In this context Daniel speaks of what he calls a structural problem at HospiMed. The company is trying to have coherent salaries for

their sales people, but market based salaries are different in the different SBUs. As SBU has particularly high demands on qualification and experience of sales people and the products also have high margins, the salaries are higher than in other product segments. The company might find itself in a position where a newly hired experienced SBU 4 sales person with a non-developed sales territory and low sales will gain substantially more than an experienced sales person of another SBU who has already developed substantial annual sales and profits. As in country 4, other than in some other countries, salary levels are openly discussed, such situations can cost social unrest, thus the company tries to avoid hiring of 'expensive' sales people, sometimes leading to a general staff shortage or low quality staff.

'...they try to recruit experienced SBU 4 people and probably try this with conditions at which nobody comes. ...or you get 2nd or 3rd class staff that the others have discarded. We have always told them to hire and train young people. ...But then they argue that once they have trained people and they perform, competition will take them away.' lxix

Sales Management Practice

Another problem Thomas sees is a lack in specialized job descriptions. The 4 local product managers each deal with all of the SBU 4 products and most of the about 20 sales reps with all of HospiMed's products, only few of them having specialized knowledge of SBU 4 products. The marketing department is also split up in two offices in different towns and the coordination is sometimes complicated. And the same he says is true for the dealers. While some of the dealers in country 4 have specialized in SBU 4 products, and few also might have some young sales reps who can speak English, most others still see their job strictly in organizing the supply with medical products for the hospitals, but not in consulting about or servicing the products. This is difficult for SBU 4 products that require a high service and consulting level at the customer side, with sales people sometimes spending most of their time at a single hospital.

Harry describes the situation of the sales organization in country 4 in a way

that every sales person is principally allowed to sell products from all divisions, that there is no clear separation of tasks between the different local marketing managers of the SBUs and also there is a high fluctuation. Also, their English language skills are very limited. He gives an example of a product complaint, where the local managers did not know who to address it to in the mother company, let alone the procedure how to do so. Harry is of the opinion that this subsidiary that has grown to a 100 million Euro business, is still managed like in the days when it was a small distributor by the same managers. Also it seems to him that all decisions are made by the top managers and there is little vertical delegation. For example unlike in many other large subsidiaries, there is no real subsidiary board, but only 2 general managers. And the marketing managers, some of which he considers very knowledgeable and professional, are charged with daily administrative tasks, such as filling in tender application forms, and thus have no time for strategic development of their brands. Concerning SBU 4 Harry has the impression that the local marketing and sales manager who hardly speaks English, is more involved in customer service and logistics than in selling activities. Also they do not seem to develop junior people as substitutes or successors for themselves. Harry believes that there will be a big know-how problem when one of the senior marketing managers will be retired in only few years.

Daniel thinks that the activities of dealers are very different in country 4 than in most developed countries. While some of the dealers work with the customers in an autonomous way, providing professional customer service, many are simply managing purchases for their customer hospitals and do not promote individual suppliers or products. The promotion of products thus remains the responsibility of the subsidiary staff.

'...they have the relationship with the hospital and when the hospital says, ok, I want product x, they will buy product x, if they can get it. So they are not willing to actively convert a competitor to SurgiSupplies. Because they only see their margin, saying I do not care, I get it from anyone I buy from.'^{lxx}

Annex 3.5 Country 5

Annex 3.5.1 Situational Factors

Number, size and business opportunity of subsidiaries

Total sales in country 5 as well as sales for SBU 5a and 5b are among the top 10 for SurgiSupplies.

Charlie points out that in order to understand and get involved in their planning, for the top-5 countries he tries to do at least annual personal business meetings. He thinks that in order to do this properly, to do it for more than 5 countries is impossible.

Paul, the central sales manager for country 5, says that in the larger subsidiaries of HospiMed he only has a general sales management consulting function. The operative business in the sense of product launches and customer relationships is handled by the local organization together with the central marketing. Only in exceptional cases he gets involved in matters concerning the individual SBUs.

It seems that Paul would prefer that the operative support also for large companies would be dealt with by regional management teams like the one he is responsible for, instead of the SBU marketing managers, also for the larger focus countries of SurgiSupplies.

Local view point

Generally speaking Patrick believes that an organization like the central sales department is more important for subsidiaries with smaller organizations. He does not seem to think it's essential for his organization. On the other hand he states that by working with larger organizations like the one in country 5, central managers like Paul can learn and thus better serve and train the smaller organizations, by providing best practice examples.

Language barriers

As customers, usually physicians, in countries 2 and 5 typically speak poor English and the sales reps mostly do not speak English at all, Brian says he cannot build his own impression of the situation in these countries and needs to fully rely on the information given by the sales and marketing managers, not knowing if it is true, or not. He does not believe that they would right out lie to him, but he can imagine them to whitewash certain problems or to omit informing him about important issues.

Innovation performance

Local view point

Edward believes that the medical disciplines of product groups 5a and 5b suffer from a general lack of ground breaking innovation. Since about 2000 none of the companies have launched a major innovation. The main problem for SurgiSupplies in his opinion are the frequent delays in product introductions. The new generation of the main product line for SBU 5b for example was launched 7 years later than the initial launch by the market leader and most customers were already equipped by this company or others. And similar situations are happening frequently. And then there are many product launches in a very short period of time – product launches thus happen more at random than in a structured way.

Larry states that SBU 5b is a market where customers like to have 'fashionable' products, and competitors are frequently launching new product generations. To Larry, SurgiSupplies central marketing does not seem to understand that and with comparably few product launches in large time intervals, some products being 25 years old, it is difficult for the sales force to stand its ground. He thinks that it might be easier in the domestic market of SurgiSupplies to get away with such a policy, as it is known to be very conservative. Larry on the other hand believes that country 5 is a more short-lived market, customers in this respect being maybe more comparable to the United States '*...they like new, they like stylish products.*' Generally speaking

he believes that SurgiSupplies is not very innovative, and one reason for this, in his opinion is, that a lot of the people in this company have been there for 25 up-to 45 years.

Other contextual difficulties

Local view point

Edward believes that the situation in the different countries is very different. He gives the example that in most major countries there are hundreds of surgeons specializing exclusively in Spinal surgery – in country 5 there are only 7.

Excursus: A study on SBU 5b sales force management in 20 subsidiaries

Claire is a central sales manager who has been assigned with analyzing the different organizational structures of the selling teams in the top 20 subsidiaries for SBU 5b and to evaluate the impact of the structure on the sales performance. Some other countries were added due to their expected high future potential or particularly good sales performance. The local SBU 5b managers were surveyed on topics such as, did they have a direct or a indirect sales channel, what other products the sales people responsible for SBU 5b were carrying and what was their incentive system, if there were local product managers and how much of their time they were dedicating to SBU 5b and to other SBUs, how good was the territorial coverage, how was the buying center of the customer structured etc. Also the same questions were asked about the major competitors. A first finding was, that the local managers typically had very little information about their competitors and often did not even bother to fill in this category of the survey. While most countries were satisfied with their organizational structure, some however thought that their structure was too weak. 'The way we are structured today, it does not make any sense. Either we do it right or we leave it, But, the way it is now, it does not work out.'^{lxxi} Interestingly, in Claire's survey of SBU 5b the structure of the buying centers for SBU 5b products seemed relatively similar in the different countries. There however were some few, large

countries, where group purchasing organizations (GPOs) got heavily involved in the procurement of SBU 5b products, while in most countries they either did not really exist or did not get involved. In these cases, key account managers played an important role.

Some markets were defined by procurement in large tenders. Here it was important to build sufficient relationships and knowledge to be able to participate in these tenders. The public tendering process is very lengthy and requires a complete product portfolio and competitive pricing. Other markets are more marked by the alternative to public tendering, the regular capital equipment purchasing process of hospitals, that also takes about nine months on average and involves phases such as information gathering by the hospitals value analysis team, in-servicing and product trials and then decision making by decision making team at the hospital and eventually professional after sales service in the form of preventive maintenance and repairs. In all of these phases, proactive and knowledgeable sales people are necessary to ensure the sales success. The product qualities expected from SBU 5b products were reliability, safety and ease of use and cost reduction.

Claire has identified 3 pure forms of different sales structures. The first one is an external sales force using dealers and or agents, such as in country 5. The second one is a direct sales force dedicated exclusively to SBU 5b products, that she really only found in one geographically very small country. The third form Claire refers to as a 'cross SBU' structure, where the SBU 5b products are sold by different selling teams in the different surgical sub-specialties such as orthopedic, neuro or cardiac surgery. In most of the countries she found different combinations and variations of these three types. Also, in one country, SBU 5b products have been entirely licensed to another medical device manufacturer, a model that has worked well and might be extended to some other smaller countries in the future. She also points out, that the sales structure also depends on the after sales support structure of dedicated repair service staff, because having dedicated and performing after sales service teams with direct customer contacts relieves the sales force of having to deal with these activities.

,Cross-SBU' sales teams have very good customer relationships, and a deep knowledge of their customer's surgical indications and issues, and they visit the customers very often and can thus also quickly identify and take good care of any service issues. Also there is the advantage for the customers of having a single contact person to deal with. The problem with such teams however seems to be, that SBU 5b products are never their primary sales target and also not the focus of their incentive system, and they thus do not dedicate enough selling time to these products and tend to neglect the development of detailed knowledge about products and the related specific purchasing processes for capital equipment. While they might promote SBU 5b products to their regular customers, they are most of the time reluctant to specifically engage in prospecting activities to gain new customers for these products. Also there is what Claire refers to as a 'silo-effect' where these sales teams are relatively isolated from each other and it seems difficult to work on larger projects that involve more than one department. As sales people from different SBUs often do not even know each other, even if they work in similar or identical territories, even simple activities like passing on sales leads only work well if there are personal relationships coincidentally. And since the vast majority of subsidiaries do not use CRM systems, let alone shared ones between different selling teams, inter-SBU information and communications can be really difficult. She gives the example of country 1 where the marketing manager is highly convinced that ever since they have introduced a modern CRM system shared between all selling teams, sales leads concerning SBU 5b are being passed on in a satisfactory way.

The local marketing persons dedicated to SBU 5b thus also often have difficulty in putting pressure on such sales teams or in motivating them to actively pursue promotional programs etc.

Therefore, subsidiaries who can afford to do so, add some few product specialists dedicated exclusively to SBU 5b to the sales force who motivate and educate the different sales teams for these products and support and relieve them with some of their customer contacts. They can also accompany younger sales reps in their first selling cycles for 5b products until they are

self-sufficient. For indirect sales forces the necessity of such specialists is even higher, in order to gain some transparency and control over their activities. In some countries the marketing managers for SBU 5b spend part of their time for these sales support purposes, other countries have one or several such full-time positions. Claire points out that these people need to have a personality that 'works well in a matrix-organization.' She thinks that successful people on such a position always stay in touch and permanently try to find new ways of reminding sales reps to think about the SBU 5b business and of supporting them. Particularly they need to motivate sales people instead of trying to command them. And all of these qualities and activities need to be formalized in a very clear job description. Claire has an example from one larger country organization that has two of such positions. One of these people fits the description above very well and is very well respected by the sales force and successful. The other one has far less success because he cannot fulfill all of these requirements.

They need to enjoy working in teams and interface with different departments such as different SBU heads, marketing, technical service etc. Claire also is convinced that such people need to report directly to a higher-ranking business manager who oversees all different SBUs involved, otherwise they will not be respected by all sales people and sales managers.

To have a direct sales force only for SBU 5b would usually be too expensive, as the market for these products typically is relatively small. Also it is difficult to build excellent customer relationships solely based on this product group, as the purchases here usually are irregular and the customers do not pay so much attention to these products. It would also mean to neglect the very good customer relationships of the other sales forces.

Claire points out that there are also reservations concerning the bundling of products, some sales people selling capital equipment products of SBU 5b out cheap in order to generate consumable business in e.g. in SBU 4. While such kinds of deals are used by other competitors quite proficiently, SurgiSupplies cannot seem to overcome SBU boundaries and jealousies.

From the little that was reported about the competition, it seems that they do not have dedicated sales teams for SBU 5b products, but sell them along with other selling teams. Claire is convinced that they put far more up-to-date and well-maintained demonstration equipment at the disposal of their sales teams than SurgiSupplies, who seem to be somewhat stingy with such investments.

Privileging the domestic market

Local view point

Patrick believes the strategies of SurgiSupplies to be heavily biased by the domestic culture, most of the opinion leaders and reference hospitals also being from that country, even though they often did not have a high international reputation.

Edward sometimes visits the headquarters to discuss product strategies. He describes these meetings as very friendly and without conflicts. In the past he had the feeling that particularly the 5a product line has received very little support from the headquarters, but since he took this product line in addition to product line 5b this has dramatically changed. They are now very responsive to requests from his side. In his opinion this is partially due to the fact that there are now more people working in SBU 5a than before and the mentality has changed. Before, he says the central product managers considered the headquarters and its domestic country were the center of the world, they did not travel much to other countries and their customer and sales contacts were mainly in their domestic country. Particularly he recalls that any request from domestic physicians, reasonable or not, was accepted and products were developed accordingly and made available world-wide.

Annex 3.5.2 Organizational Factors

Level of delegation and incidence of sanctioning at SurgiSupplies versus competition

Brian knows from people he has hired from the major American competitors

over the years, that they are much more directive in their communication. *'I know a case from Codman. ...The headquarters in the US decides what to do and it needs to be implanted one-to-one. That sometimes means to not speak the local language and to adapt the American way and that leads to a lack of acceptance and understanding in the country. I know examples where they have rolled out their strategies radically in some countries. And in the end they weren't successful, because the countries did not feel sufficiently considered. And I think we rather have the advantage to say, yes, locally it's always somewhat different, but by this local coloring maybe our success is higher in the end.'* lxxii

Charlie has information about competitors from colleagues who formerly worked there. Interestingly, he has heard about Synthes, a major European competitor, that they essentially had the same issues as SurgiSupplies, while Medtronic, the biggest US competitor, had a more rigorous and systematic approach of dealing with their local selling organizations. From an overall market bench-marking perspective Charlie believes that SurgiSupplies can be rated with an average performance with respect to these issues.

Local view point

The company he worked for before SurgiSupplies was a small family owned business and Edward says it was totally different to work there. At SurgiSupplies he receives an annual investment budget and he is relatively autonomous in his decision on what to spend it. In small companies every little expense needs to be approved by the boss and decision making was very centralized. On the other hand he had also worked in a family owned business that was very big and he had the perception that it was the same, with the owner taking all decisions by herself.

Edward believes that there is a major difference between American and German companies. He thinks that in American companies, the people are constantly afraid that the company will be sold or merge with another one. Also they are very much afraid not to reach their target, as the appraisal is based very much on quantitative results and they can quickly lose their jobs.

At SurgiSupplies, Edward feels that even in a financially unsuccessful year, the employee's are evaluated more in a qualitative way, how the quality of their work was. And when he has problems, he always receives support from his boss.

Impact of delegation on global strategy

Charlie points out that it is often unclear at SurgiSupplies who is in control, the headquarters or the subsidiary. *'Well, I might be exaggerating a little, but in one country or another life can be pretty carefree for a regional manager. Because they know that really the people from the headquarters do what they want. And not the other way around.'*^{lxxiii} Concerning strategic product decision this sometimes leads to decisions that Charlie disapproves of, sometimes categorically refusing to pursue certain product groups suggested by the headquarters or vice versa doing a little-bit of everything without any clear focus. The latter in his opinion is the result of short-sightedness – in order to reach selling targets they will follow any short-term business opportunity, introducing new product lines without having in mind the consequences, such as resources required for training and providing after-sales service. In most countries, Charlie believes, SurgiSupplies simply does not have the manpower to follow up on too many product lines, so a clear focus on few, clearly defined market segments is indispensable.

Concerning the product strategy, Charlie has made some very bad experiences, in particular with country 3 who had traditionally been very strong in a certain medical subspecialty with other products, and tried to sell SBU 5b products into this specialty instead of the ones recommended by Charlie and his team. Although SurgiSupplies products more or less cover this subspecialty, the strategic focus is on other areas, and so the product portfolio becomes more and more outdated over the years. This lead to conflicts, because country 5 keeps pushing for developments into their particular focus areas. Charlie had a very similar problem with another country that did not perform because it did not put the marketing and sales focus on the medical specialties recommended by the headquarters and thus

had problems to sell the newer product generations.

Paul believes that the subsidiary in country 5 is implementing global strategies in an exemplary way as long as they believe in them, like with SBUs 2 and 5a. 5b they do not believe to require a specific strategy, as these products are simply sold along with products from other SBUs.

In other SBUs, such as 3a, they are in total contradiction to the central strategy and in SBU 4 they do not consider the headquarters to have themselves a particular strategy. They do not respect the central marketing managers as real experts, they believe that they are not enough involved in country 5 affairs, only show up when there are problems and are very much oriented towards their domestic market. They really do not consider SurgiSupplies to be a company truly committed to SBU 4 products and they claim that their customers say the same. They also think that the central managers are not representative enough in front of customers: *...in their point of view the marketing manager from the head-quarters needs to be a real, say, show-man. He needs to be capable of Public Relations and they reproach our people with not being capable of that. The same goes for SBU 3a, there they also say, 'Man, we're in competition to the big Americans!'*^{lxxiv}.

Paul reports that for SBU 5a the country 5 managers believe that there is a large unique opportunity for them with the recent launch of a new groundbreaking technology, but they currently do not have the resources to do the necessary investments and in view of the short-lived market they fear that in the near future the product might already be obsolete.

Fighting over resources

Typical conflicts of interest with the subsidiaries for Brian are local target agreements that are not communicated to him. Another conflict of interest can arise when the local SBU 5a team also sells products from other SBUs. This is typically the case with SBU 5b and sometimes with SBU 1. If that team starts focusing on some other products, naturally there will be less focus on Brian's products.

Brian says he does not have a problem with that, as long as the general activity of the team is successful. Conflicts arise when the local performance of his SBU 5a suffers and when people start asking questions why the growth is too slow etc., because Brian of course is measured by the world-wide growth of his SBU and if local resources are sucked up by another SBU to the detriment of his own, he will discuss this with the country managers. If they argue that they do not have sufficient resources, manpower, or competency in 5a or the competitive situation or price level is too difficult, and they therefore will focus on other SBUS, he will typically respect that. He will then reallocate the resources of his own team to other countries. *'Our job is like sports, sometimes you win, sometimes you lose. And if a country says, I won't do anything in SBU 5a and I will not allocate any resources to it, then sometimes, or even most of the time, I am thankful for such a clear statement. Because I know, we on our end do not need to allocate any resources there either. And I have no problem with a country telling me: 'I neither have the resources, nor the manpower, nor the competency, their competitive situation is too difficult or the price level is too low in my country.'*

^{lxxv} But he will discuss situations like these with his boss, the senior vice president of marketing for SurgiSupplies and explain to him that the focus on other product groups like 5b might lead to a neglect of 5a and an unfavorable sales development in this SBU.

Brian is strongly in favor of SurgiSupplies investment allocation planning system. He believes that there are limited resources and not all SBUs can be simultaneously focused on in every country. *'We have limited resources, we can't do everything ... and one SBU is always left out in the cold.'*^{lxxvi}

In the past two years Charlie has observed a down-turn of sales in country 5. While he acknowledges that this is partly due to an economic crisis in the country, he is also convinced that it is at the same time a result of a change in product management. Historically the country 5 subsidiary had always had one person working full-time for SBU 5b. Two years ago, this person was additionally assigned the product group 5a, leaving only approximately 50% of his time for each of the two SBUs. He believes with a full-time resource in

place to push the dealers, the downturn might have been softer. Charlie believes that this decision had not been made in order to cut cost for SBU 5b, but to satisfy a pressure from headquarters to invest in SBU 5a. It was a quick, easy and cheap solution to simply add this product line to Edwards responsibilities, as he is very well familiar also with the SBU 5a environment. Patrick, the division manager in country 5, had initially announced that this would only be temporary and a better solution would be found later, but the current situation has been already lasting for two years.

Charlie says that there is a systematic conflict of interest for SBU 5b in the fact that they hardly have any own sales teams, but their products are always sold by different sales teams who have a different SBU as their primary focus, so there is a permanent inherent struggle for resources in almost all subsidiaries. Sometimes he says it can be advantageous, because large sales teams start to focus on his product group when they struggle for any reason in their main focus product groups. As long as a certain balance can be maintained, Charlie believes this to be friendly competition. Often also in some countries it is only the sum of two products, e.g. SBUs 5a and 5b or 4 and 5b that allows a critical mass of sales to justify a direct local sales team and then everybody in central marketing works together to achieve this. Interestingly, Charlie also tries to act as a service provider to other central marketing SBUs to increase their good-will towards SBU 5b, by participating in congress cost or sending staff from his team to help them in customer workshops, even if there's no direct sales expectations of this event for SBU 5b. *'Where we try to make ourselves somewhat indispensable, also to somewhat always remind them that we are still there.'* ^{lxxvii}

On the other hand Charlie sometimes encounters situations where other SBUs have very ambitious projects and the subsidiaries pursue their local implementation to the detriment of SBU 5b: *'Where people simply told us: 'You do not have any interesting new products, we will now focus on another product group, because we see a chance there to achieve sales more quickly.' If they saw it with a long-term perspective, this would be acceptable from a total company point of view. But their horizon is really only the 31.*

December of the year. And they think in the future everything will continue like that. And they do not see that if they do not continue to work it, the other business will break away.^{lxxviii}

Other examples for uncoordinated activities can be found in international SBU or product meetings. Local sales and marketing managers often are concerned by several SBUs and if there are several meetings in short succession with only some weeks between them, they can't afford to attend them all, particularly if they are from distant countries. Charlie has observed that in such situations, central marketing managers also try to pressure the local managers to attend their meetings, instead of the other ones.

Charlie would like the central sales department to assume a coordinating function between the different SBUs but so far he has had little experience, positive or negative, in that direction. He is not informed about the activities of central sales except for few positive experiences with individual regional central sales departments of smaller countries. For other bigger regional departments he sometimes has the feeling that the countries are trying to avoid getting them involved. *'Well, we are not even going to inform them. They will only make a stupid comment or they will not allow us to do it.'* ... *And then they call us instead and I call the regional sales manager and ask if it makes sense. 'That does not make any sense, horrible, we will do that under no circumstances.'* And then: silence.^{lxxix}

Local view point

Patrick points out that for some highly specialized instrument sets, that are necessary for the customers but rarely used, they cannot even afford to buy and have them available locally, but perform short-term renting from the headquarters. Often no rental sets are available, resulting in frustration of the end-customers. Patrick suspects that the SurgiSupplies headquarters serves the domestic market first with sets and international markets only if there are still sets available. He thinks that there is a strong international competition between the subsidiaries for newly launched products and instrument sets. On the one hand he believes that this is a specific problem of SBU 4 and that

competitors are facing the same challenges. On the other hand they have hired staff who formerly worked at competitors who said that such procedure sets there were much less expensive or internally even distributed without charging the subsidiaries, so that the headquarters are sharing the investment in new customers with the subsidiaries. Such investments are more relevant in country 5 than in other countries, because the average usage rate per customer is lower and the return on investment thus slower. Patrick believes that the calculations for this return are based on the situation of the domestic market of SurgiSupplies and do not apply to country 5. He is certain that other subsidiaries must feel the same way. Generally speaking he believes that some SBUs require much higher investments than HospiMed is used to and willing to engage in. And the dealers, who in the past have been assuming these investments in country 5, as overall healthcare spending is declining due to an economic crisis in the country.

Larry says that SBU 5b products really are sold along with either SBU 5a or SBU 4 products. So he believes it would be easier not to have different persons for these products in local and central marketing, in order to focus on internal and customer relationships. Larry also has the impression that central managers always try to sell their products to their country organization, obliging them to try to grow the business in all product groups simultaneously. Larry says that focusing on one product group and growing sales there, can lead to neglecting and losing sales in another one. He gives an example of a single sub-product group in SBU 4 that itself has 7 different implant systems to sell. He thinks that instead of actively driving certain product groups and developing the markets for them, SurgiSupplies has a catalog mentality where it is left to the customer to pick and choose from a giant portfolio.

'... in the sales force we have (the) sensation that we are like (a) supermarket company, no? And if I mention my sales organization for SBU 5a and 5b: maybe 80% of our dealers sell products from SBUs 5b, 2, and 5a, maybe 3a etc. and this is for me a big problem. I think in the next future we must have (a) dedicated sales force.'

Larry thinks, the decision what products to promote should be left strictly to the country managers, as they are the only ones who can judge the local attractiveness and profitability of a given product group. He thinks that at present, their sales force is reacting to short-term opportunities, such as tenders, leading to very volatile sales developments from one year to the other, so it is difficult for him to pursue any long-term strategy.

Short-term and risk-averse local strategies

Brian thinks that some country managers do not dare to tell him they do not want to continue to invest in SBU 5a, because traditionally all central SBU managers are traveling from country to country, promoting to invest in their respective product groups. And the country managers are in the difficult situation that they do not want to make enemies at the headquarters by neglecting their respective product groups and therefore they give everyone a little piece of the pie. Also Brian thinks that there is a general culture at SurgiSupplies not to make any negative announcements to each other, such as that there are no local resources for a certain business. With the new structure, a clear decision to focus on certain SBUs needs to be taken with the central sales managers, but the countries then sometimes build up pressure via the top management to keep certain non-focus areas alive anyway.

SurgiSupplies' difficulties to disinvest

Paul thinks that the new resource allocation planning system is very reasonable, because he thinks at present a lot of resources are being wasted, by promoting too many SBUs in all major countries and often also in minor countries, even if they are not successful or profitable. On the other hand the tool itself is not sufficient to Paul, because no one dares to take the decision to decide to stop any of the activities, because it means an initial loss of sales. He thus believes that the tools and the idea are correct, but it is not being implemented in a consequent way.

Even in some smaller countries they had intended to stop certain marginal

activities, but did not really do it in the end, because the country managers, but also the responsible central sales managers, were reluctant to lose the sales. He has also observed that this tool is never really critically discussed and questioned in the quarterly review meetings. Paul believes it would be necessary not only to decide to exit an SBU in a given country but to define a concrete exit strategy and action plan at the same time, including measures to compensate for the losses, and to force the country managers to actually implement it. Today, Paul finds, central managers only get involved with investments, not disinvestments.

Global cost and profit issues

Patrick thinks that conflicts of interest with the headquarters are mainly related to profit distribution. As the transfer prices for investments in surgical sets are very high and the investment budgets are limited, the possibilities to aggressively develop new customers are limited as well. Patrick believes that the legal entity of the headquarters is making a lot of profit from these inter-company sales.

Sales management practice

Brian thinks that concerning the implementation of global strategies his 4 major American competitors are even in a more difficult situation than his own team, because they have only dealers and no direct sales teams in all mid-sizes and small countries. Brian thinks that dealers are more difficult to manage than direct sales teams, as they are volatile in their business and in their focus.

Local view point

Edward is the local sales representative for product groups 5a and 5b in country 5. He has been working in this field for SurgiSupplies and two other companies for more than 20 years in country 5, always responsible for local marketing and sales. He describes the most important job for him is to keep the SurgiSupplies dealers motivated in selling their products. In the beginning

of the year a sales target is defined and a pricing policy is fixed. Since most of the business is based on publicly published tenders, Edward has a general idea what the sales potential for each dealer will be in any given year. For larger tenders during the year, pricing can be negotiated, but the dealers need to physically present the orders and invoices to him. Those dealers are having difficulties at the moment, as there is a financial crisis in the country and the hospital pay the dealers with a delay of about 300 days, sometimes more than 1000 days. In country 5, SurgiSupplies is working with about 10 of such dealers who all carry also product lines from other companies but usually do about 70-90% of their sales with SurgiSupplies products. Edward and his boss Larry visit the dealers regularly. Edward never takes any decisions without discussing them with Larry who then often has discussions with his boss and so on. The sales targets are distributed top-down.

Patrick is now planning to change the sales channel for some SBUs from the traditional dealer system to sales agents. The dealers, who used to buy and resell the products, in the future will sell the products to the end-customers in the name of the manufacturer and receive commission payments in return. This modifies largely the financial structure of the business, as, while profits rise due to the elimination of the dealer margin, expenses rise at the same time due to the commission payments. Therefore this is a high priority project that has been developed together with the responsible central sales manager and the SurgiSupplies central controlling and was explicitly approved by HospiMed board members.

Patrick believes that it is much more difficult to manage independent agents or dealers than employed sales people, because they can change to another manufacturer at any moment, if they are dissatisfied with the situation.

Annex 4 Topic List

- Do you agree to participate in this research project of the University of Bradford?
- How did you get involved in SBU ... activity?
- Describe the history of this activity from your point of view.
- How successful is the activity so far in your opinion?
- What was positive about the activity so far and what could have been improved concerning:
 - * definition of goals: do local and central organizations have the same goals in this activity?
 - * planning of activities
 - * customer visits and customer activities
 - * progress controlling and measurement of results
 - * communication between all participants
- What else is important concerning this activity?
- How is the Marketing and Sales Strategy defined? How much are central managers involved?
How deeply in the local hierarchy should central managers get involved with goal setting and control? (only at the management level or all the way to the individual local sales rep?)
- What are typical conflicts of interest between central goals and local subsidiary goals?
- Do you believe that other companies have similar situations / challenges?
- Are there differences from one country subsidiary to another and what are the reasons for these differences?
- How well accepted are new performance measurement tools such as resource allocation planning, business plans for focus SBUs, performance indicators in your organization and what are the influence factors?
- What is your experience with the central sales department?
- What measures can be taken to improve strategic alignment of sales and marketing strategies?
- Do you believe that other companies have similar situations / problems?
- Generally describe how management control of subsidiaries is achieved in your company concerning the sales and marketing function, what you believe works well and what you think does not work so well.

- How is your experience with implementing the central marketing strategy in local subsidiaries?
- How does the matrix organization influence the relationships within the central organization and how does it influence the relationships with the subsidiaries?
- Are there differences from country to country and what are the reasons for these differences?
- What kind of improvements of management control is the country trying to establish?
- How does the International Sales Department try to change management control?
- How is performance measurement of subsidiaries achieved in your company traditionally and how is it being developed?
- What kind of tools for performance measurements are being used?
- How deep in the local hierarchy should central management control be? (only at the managing director level or all the way to the individual local sales rep?)
- What conflicts of interest between the different functions and hierarchy levels concerning subsidiary control exist in the headquarters?
- How well accepted are new performance measurement tools in the organization and what are the influence factors?

Annex 5 Cross-Case Analysis Tables

SBU1 'The domestic team'			
Situational Factors influencing the Local Marketing and Sales Strategy			
Respondent Categories	impact	Comments concerning country 1	General comments
Geographical region		Western Europe	
Subsidiary size and business priority	+	central managers can only follow top 10 to 15 countries; top 5 sales for total country and also for SBU 1	while large subsidiaries are self-sufficient, smaller subsidiaries depend on more on central knowledge and resources, increasing central influence
Traditional SBU orientation of the individual subsidiaries	+	country 1 historically deeply involved in all SBUs	SBU choice depends largely on prior experience of top-managers
Brand awareness and market share	+		
Market life-cycle	mature		
(Absence of) Language barriers	+		
(Absence of) Cultural differences between the headquarters and the individual subsidiaries	+		empowerment of local managers very different from country to country, difficult for central managers to understand, need personal experience working in subsidiaries
(Absence of) other contextual difficulties	+		
Innovation performance	-	Local dissatisfaction with innovation performance	
Privileging the domestic market	+	most products are developed in the domestic market with domestic opinion leaders	

SBU1 'The domestic team'			
Organizational Factors influencing the Local Marketing and Sales Strategy			
Respondent Categories	impact	Comments concerning country 1	General comments
Local autonomy	0	mutual agreement on local strategy in meetings, sometimes controversial discussions	more autonomous subsidiaries than competition, entrepreneurial thinking, flexibility: changing local environment, individual product portfolio, sales channels, legal restrictions, output control: strong financial orientation; Managers frustrated by lacking control over subsidiaries and central functions, loss in credibility, sometimes would prefer direct line control
Delegation and (absence of) sanctioning	+		common values, loyalty, complacency, bureaucracy at the headquarters
Impact of delegation on global strategy	0		Global strategy risks to become random sum of local strategies; global product roll out is challenging
(Absence of) Fighting over resources	n/a		competing central offerings put subsidiary in a powerful position
(Absence of) Short-term and risk-averse local strategies	n/a		(Absence of) Short-term and risk-averse local strategies
Influence of central managers on local strategies	+	central sales managers not implemented in country 1	difficulties in managing large numbers of subsidiaries, difficulties in challenging local managers as long as global results meet the plan, local managers expect guidance on price and product positioning, relationship depends on cooperative personality of local general manager; lack of empowerment of central sales managers
(Absence of) Inconsistencies between different divisional policies	n/a		
Global cost and profit issues	n/a		difficulties in controlling world-wide SBU expenses
Sales management practice	+	clan control, output control; very limited synergies between sales teams due to different purchasing decision making processes, except for key account managers	More delegation for mature staff
Staff turn-over and loyalty	+	exemplary situation	difficulty in emerging markets, particular difficulties when team sizes are very small

SBU1 'The domestic team'			
Successful Strategies, Activities and Attitudes to Improve Central Control			
Respondent Categories	impact	Comments concerning country 1	General comments
Central managers' credibility	0	Doubts about operative market knowledge of central managers, lack of central planning reliability is undermining central managers credibility	Lack of empowerment of central managers, also central sales department
Motivating and committing all local hierarchy levels	+		Important for successful strategy promotion
Local field support	+	work with local customers, KOL	
Long-term personal relationships	+	essential for strategy alignment, local and central managers need to physically meet frequently	essential for strategy alignment
Expatriate managers	-		
Communication of global strategic orientation	+		
Strategic meetings with multiple local and central hierarchy level involvement	+	the local managers want to have an impact on global strategy	
Strategic sales development workshops	0	not so high acceptance by local managers	
Strategic planning and reporting systems	0	operational sales reporting system could be standardized, implementation culture is more important than planning system, difficult to replace existing local planning systems	
Geographical focus in order to deal with limited resources	n/a		Central SBUs should coordinate their geographic foci

SBU2 'Launching complex solutions'			
Situational Factors influencing the Local Marketing and Sales Strategy			
Respondent Categories	impact	Comments concerning country 2	General comments
Geographical region		Asia	
Subsidiary size and business priority	+	top 5 sales for total country and also for SBU 2; headquarters treat profitable companies more respectfully	
Traditional SBU orientation of the individual subsidiaries	-		local top managers focus on product lines they know from prior experience
Brand awareness and market share	-	Brand awareness and customer relationships to weak to get buy-in for new concepts	
Market life-cycle	mature		Value-added services and process optimization more important in mature markets
(Absence of) Language barriers	-	strong language barriers on all hierarchy levels	
(Absence of) Cultural differences between the headquarters and the individual subsidiaries	-	central managers have difficulty understanding the intentions of local managers due to different communication style	
(Absence of) other contextual difficulties	n/a		
Innovation performance	n/a		
Privileging the domestic market	-	central managers don't understand that the high domestic market shares cannot be replicated in other countries without local product development; global strategy of world products, local adaptation hasn't brought success	other companies don't dare to launch complex services outside of their domestic country

SBU2 'Launching complex solutions'			
Organizational Factors influencing the Local Marketing and Sales Strategy			
Respondent Categories	impact	Comments concerning country 2	General comments
Local autonomy	+	decision making is clearly local to the satisfaction of local managers; supplier dealer relationship instead of headquarters - subsidiary relationship	
Delegation and (absence of) sanctioning	+	Less central authority, less short term profit orientation than publicly traded American competitors	
Impact of delegation on global strategy	-	passive attitude towards the adoption of central strategies; little empowerment of the local lower hierarchy levels as compared to central managers; lower hierarchy resistance to central strategies	
(Absence of) Fighting over resources	0		
(Absence of) Short-term and risk-averse local strategies	+	positive example of strong product focus in country 2 - undermined by central managers?	easier and risk-free to develop minor market shares in many product lines as opposed to strong market shares in few product lines
Influence of central managers on local strategies	0	central managers have succeeded in convincing local managers of the SBU2 global strategy with long-term persistence	Good decision to create central sales management department, however results are behind expectations so far.
(Absence of) Inconsistencies between different divisional policies	n/a		
Global cost and profit issues	n/a		
Sales management practice	n/a		
Staff turn-over and loyalty	n/a		

SBU2 'Launching complex solutions'			
Successful Strategies, Activities and Attitudes to Improve Central Control			
Respondent Categories	impact	Comments concerning country 2	General comments
Central managers' credibility	-	hidden arrogance towards and skepticism of the judgments of central managers; high level of international experience and self-confidence of central managers is crucial for their acceptance	
Motivating and committing all local hierarchy levels	+		working simultaneously on different hierarchy levels to get 'a foot in the door'; guerilla strategy by creating local 'light houses'
Local field support	+	collaborative approach between central and local in working to gain initial customer base highly successful	
Long-term personal relationships	n/a		issue not really raised in case 2
Expatriate managers	+	the deployment of an expatriate manager has contributed to the adoption of central strategy	
Communication of global strategic orientation	+	top management communication of long term global strategy, powerful communication of 'total solution project' and centrally adding resources to SBU2 positively impacts on local acceptance of SBU2	
Strategic meetings with multiple local and central hierarchy level involvement	n/a	Local team would like to be more involved in product development.	
Strategic sales development workshops	n/a		
Strategic planning and reporting systems	-	Central initiative concerning strategic planning tools are not understood and implemented.	
Geographical focus in order to deal with limited resources	n/a		

SBU 3a / 3b 'Combining sales teams'			
Situational Factors influencing the Local Marketing and Sales Strategy			
Respondent Categories	impact	Comments concerning country 3	General comments
Geographical region		Western Europe	
Subsidiary size and business priority	-	top 10 sales for total country but not for SBU 3a and 3b	in the early days of internationalization of SurgiSupplies the local subsidiaries were totally autonomous with no central knowledge about managing subsidiaries at the headquarters; attention of central managers for individual subsidiaries depends on the respective business opportunity
Traditional SBU orientation of the individual subsidiaries	-		attitude towards certain SBUs depends largely on personal experiences and likings of general managers.
Brand awareness and market share	-	overall low competitive strength in country 3	
Market life-cycle	mature		
(Absence of) Language barriers	+		
(Absence of) Cultural differences between the headquarters and the individual subsidiaries	+	organizational culture in headquarters and subsidiary believed to be similar	differences in country culture are not seen as having a major impact; sometimes used as an excuse to obscure hidden agendas
(Absence of) other contextual difficulties	-	generally low price level in country 3	
Innovation performance	n/a		
Privileging the domestic market	n/a		

SBU 3a / 3b 'Combining sales teams'			
Organizational Factors influencing the Local Marketing and Sales Strategy			
Respondent Categories	impact	Comments concerning country 3	General comments
Local autonomy	+		central managers have no influence on local staff decisions of subsidiaries; the way how international staff members should interact is not sufficiently clear; central managers would prefer direct line-control in larger countries; subsidiaries sometimes invest inappropriately in certain product areas, contrary to global strategy
Delegation and (absence of) sanctioning	+	more pressure at American competitors to achieve ambitious financial targets set by head-quarters	non-performing sales people are not necessarily replaced in some subsidiaries; 'need for harmony'
Impact of delegation on global strategy	-	the central strategic guideline obliging all subsidiaries to invest in SBU3b is willingly not being implemented in country 3.	inability to roll out global SBU campaigns
(Absence of) Fighting over resources	-	central managers always ask for more SBU related sales resources to overcome problems; central reservations against the CombiTeam project and strong wish for future re-separation of CombiTeam into individual SBUs	not enough resources to invest into all SBUs simultaneously; allocation conflicts inherent to the divisionalized matrix structure
(Absence of) Short-term and risk-averse local strategies	n/a		company pronounces willingness to focus, but every SBU continues further developments in more and more sub-segments; local managers have an incentive to add more and more product lines (risk reduction, relationships with central managers); central managers believe local strategies to be oriented towards short-term opportunities

Influence of central managers on local strategies	-	very limited central control to enact global strategies is attributed to the high degree of divisionalization; relationships degraded in times of poor local performance; local managers understand need for global strategies but require a lot of local flexibility in the implementation; local country 3 managers don't see the necessity for central sales managers for their country, but only for smaller countries; local managers prefer central sales support in exceptional situations ('business angels') than in every day life	appreciation of the decision to create a central sales department, but lack of success so far and skepticism of the capabilities of central sales managers to overcome lack of central control
(Absence of) Inconsistencies between different divisional policies	-	importance of expatriate manager exchange different in divisions	inconsistent geographical breakdown of the sales regions is hindering central control
Global cost and profit issues	-		difficulties of central managers to control global cost, due to lack of control over subsidiary expenses; changing transfer prices can create problems with local tax authorities
Sales management practice	0	output control for mature sales people, behavior control for less mature sales people; failure to establish sustainable sales teams with critical mass in a disciplined way; maturity, skill level and control style required is different between SBUs; conflict between detailed knowledge of sales people and critical team size; necessity to reduce product portfolio; focusing on products with quick return on investment	customer planning, sales call rotation and sales figure reporting could be standardized globally; activity reporting should be locally adapted
Staff turn-over and loyalty	-	staff loyalty seen as key factor to success; high fluctuation rate in sales team in the past	product requiring higher skill levels have higher staff loyalty in sales teams; this is also related to the customer side contact persons

SBU 3a / 3b 'Combining sales teams'			
Successful Strategies, Activities and Attitudes to Improve Central Control			
Respondent Categories	impact	Comments concerning country 3	General comments
Central managers' credibility	n/a		
Motivating and committing all local hierarchy levels	+	local top management used a lot of energy to get 'buy-in' from all central and local people involved; reassuring and educating sales team was crucial	
Local field support	+		
Long-term personal relationships	+	successful cooperation attributed to the fact that local and central managers on different hierarchy levels have worked with each other for a long period of time	
Expatriate managers	-	expatriate exchange underdeveloped at SurgiSupplies with respect to other divisions; local managers encourage more expatriate exchange	
Communication of global strategic orientation	+		
Strategic meetings with multiple local and central hierarchy level involvement	+	local managers dissatisfied with their possibilities to influence global strategy; current meetings don't allow to sufficiently express local needs; true exchange being compromised by too high number of subsidiaries; one recent example of an adequate meeting set-up; current meeting concepts on different levels; strategy meetings initiated by local top management	strategic meetings suggested between central managers to create portfolio synergies between SBUs
Strategic sales development workshops	n/a		different experiences of central SBU3a managers in different countries; too little staff to deal consequently with such activities
Strategic planning and reporting systems	-	strategic planning and reporting tools are not understood and used in country 3; fear of too much bureaucracy	planning systems are good as a 'common language' but not so helpful for operative business; subsidiary board members need to be educated to apply and discuss the strategic tools in their meetings
Geographical focus in order to deal with limited resources	+	idea to concentrate on geographical clusters, certain products and capable team members initiated by central managers	

SBU 4 'The emerging market'			
Situational Factors influencing the Local Marketing and Sales Strategy			
Respondent Categories	impact	Comments concerning country 4	General comments
Geographical region		Eastern Europe	
Subsidiary size and business priority	+	top 15 sales for total country and also for SBU 4, but both expected to be top 10 soon	
Traditional SBU orientation of the individual subsidiaries	-	the country 4 subsidiary has traditionally sold more products from another division and the local top managers are more familiar with these products	
Brand awareness and market share	0	average market shares	world-wide oligopoly for SBU 4 products -> always the same competitors with varying market shares in each country
Market life-cycle	emerging	emerging market with high growth-rates	
(Absence of) Language barriers	-	limited English skills of sales and marketing staff	
(Absence of) Cultural differences between the headquarters and the individual subsidiaries	-	central managers have difficulty understanding the communication and decision making culture in country 4; the orientation of country 4 physicians towards the domestic country of SurgiSupplies is seen as an advantage; the local subsidiary still is perceived by central managers as having the culture of a small dealer; the fact of being a fellow-country man was ambiguous for the central sales manager	
(Absence of) other contextual difficulties	-	infrastructural problems, logistic difficulties; former dealer was transformed into a subsidiary; volatile market strongly influenced by politics	
Innovation performance	n/a		
Privileging the domestic market	-	the local manager believes that SurgiSupplies focuses their product development on the requirements of their domestic market	

SBU 4 'The emerging market'			
Organizational Factors influencing the Local Marketing and Sales Strategy			
Respondent Categories	impact	Comments concerning country 4	General comments
Local autonomy	+	the impact of central managers on operative local strategy is minor; incapacity of local and central managers to agree on appropriate investment level, let alone allocation to SBUs; overall budget determined by central, allocation freely managed by local managers	
Delegation and (absence of) sanctioning	n/a		
Impact of delegation on global strategy	n/a		
(Absence of) Fighting over resources	-		local investment decisions are crucial for the global success of central SBUs; the local decision making process and reasoning is ominous to the central managers
(Absence of) Short-term and risk-averse local strategies	-	no real strategic focus; reacting to short term market opportunities; is strategic focus a priority in emerging markets?	local investments are sometimes abandoned too quickly, not leaving enough time for return on investment
Influence of central managers on local strategies	-		high expectations towards the central sales managers to coordinate central and local strategies, but unclear real contribution so far
(Absence of) Inconsistencies between different divisional policies	-	there are different sectoral salary levels in different SBUs; difficult to recruit for high-salary SBUs	
Global cost and profit issues	-		
Sales management practice	-	sales and marketing team for SBU4 too small; main objective is to establish professional sales and logistic infrastructure	
Staff turn-over and loyalty	-		

SBU 4 'The emerging market'			
Successful Strategies, Activities and Attitudes to Improve Central Control			
Respondent Categories	impact	Comments concerning country 4	General comments
Central managers' credibility	0	the local manager didn't have or take the time to discuss strategic issues with central sales manager; local attitude of pretending to be cooperative towards the central managers but pursuing different agendas in reality	
Motivating and committing all local hierarchy levels	n/a		
Local field support	+	connecting local and domestic key opinion leaders is a successful strategy; involving local opinion leaders in design of local products; local staff doesn't efficiently use contacts established by central managers	
Long-term personal relationships	+	personal relationships are of particular importance in country 4	
Expatriate managers	n/a		
Communication of global strategic orientation	+	divisional meeting with global strategy communication very much appreciated	
Strategic meetings with multiple local and central hierarchy level involvement	+	the local manager doesn't feel that their specific country requirements are sufficiently understood and that they have a platform to communicate them and influence central strategy accordingly; a regular strategy meeting with the responsible central managers and other country representatives with similar issues could resolve this	
Strategic sales development workshops	n/a		
Strategic planning and reporting systems	-	the local manager believes there needs to be more feed-back concerning central inquiries	a central manager believes that local managers do not report their true beliefs and intentions in the planning tools
Geographical focus in order to deal with limited resources	n/a		

SBU 5a / 5b 'The dealer market'			
Situational Factors influencing the Local Marketing and Sales Strategy			
Respondent Categories	impact	Comments concerning country 5	General comments
Geographical region		Western Europe	
Subsidiary size and business priority	+	top 10 sales for total country and also for SBUs 5a and 5b; central managers can only organize regular meetings professionally with the top 5 countries	
Traditional SBU orientation of the individual subsidiaries	0	products are treated as cash cows in country 5	
Brand awareness and market share	+	relatively high market shares	
Market life-cycle	mature		
(Absence of) Language barriers	-	there are significant language barriers with limited English capabilities at intermediate and lower hierarchy levels in country 5	
(Absence of) Cultural differences between the headquarters and the individual subsidiaries	0	Cultural closeness such as speaking the native language is seen as a major advantage	
(Absence of) other contextual difficulties	-	economic crisis; long credit period of hospitals	
Innovation performance	-	local managers are dissatisfied with the speed of innovation at SurgiSupplies	
Privileging the domestic market	-	there is a strong belief in country 5 that the domestic country of SurgiSupplies is favored concerning development of products and the use of key opinion leaders as consultants	

SBU 5a / 5b 'The dealer market'			
Organizational Factors influencing the Local Marketing and Sales Strategy			
Respondent Categories	impact	Comments concerning country 5	General comments
Local autonomy	+	central managers manage by persuasion, not by direction	high local autonomy to define strategy; sometimes strategic decisions are contradicting global strategy by focusing on non-focus products
Delegation and (absence of) sanctioning	+	high delegation level at SurgiSupplies is appreciated as motivating factor for the sales force; central managers appreciate the fact that they are not held responsible for local results	American companies are much more directive with their subsidiaries; quick separation from sales people who do not reach their targets; more long-term evaluation of staff at SurgiSupplies; sometimes local failure due to unadapted local strategy; only European competitor seems to be more like SurgiSupplies; one example is given, where the local management team was replaced after non-conforming strategic behavior
Impact of delegation on global strategy	n/a		
(Absence of) Fighting over resources	-	strong competition between central managers for sales resources in country 5	country competition for central resources, such as visits from managers, loan sets, development of local products; neither central nor local managers are willing to abandon existing sales volumes in order to focus the activities
(Absence of) Short-term and risk-averse local strategies	n/a	local managers are introducing too many product lines in order to satisfy central managers; 'super-market portfolios' are then overwhelming for the sales force	local managers quickly reallocate sales resources to different product groups when there are promising innovations; this can be to the detriment of long-term market development strategies
Influence of central managers on local strategies	-	in country 5 central sales managers are not seen as having an impact on the operative business but they are a good communication platform with headquarters	central sales managers act solely as consultants to the local top management in large countries; in small countries they have operational duties
(Absence of) Inconsistencies between different divisional policies	-	uncoordinated central SBU events	
Global cost and profit issues	-	conflicts about transfer pricing and resulting profit allocation	
Sales management practice	-	100% independent sales force; small number of sales managers; difficult to control sales force	
Staff turn-over and loyalty	n/a		

SBU 5a / 5b 'The dealer market'			
Successful Strategies, Activities and Attitudes to Improve Central Control			
Respondent Categories	impact	Comments concerning country 5	General comments
Central managers' credibility	0	the trust in the competency of central managers in country 5 varies widely from one SBU to the other; both local and central managers are generally satisfied with the cooperation	cooperation process of local and central managers is not defined or formalized; some local managers cannot accept their role as subsidiary and come up with their own product strategy, sometimes contradicting global strategy
Motivating and committing all local hierarchy levels	n/a		
Local field support	-	local managers strongly request the visit from central managers to their market and to get involved with their customers; this also helps the local feeling of 'belongingness' and consideration	direct interaction with local sales people and customers is crucial for central managers to get 'unfiltered' market information; 'arms race' between certain SBUs to get local attention
Long-term personal relationships	+	Cooperation between central and local managers depends on long-term personal relationships and on the individual's cooperative personality	the quick and truthful communication of negative news is seen as crucial for the relationship
Expatriate managers	+	local managers appreciate sending expatriates to the headquarters to establish contacts	
Communication of global strategic orientation	n/a		subsidiaries tend to follow global strategies if they are easy to understand, clearly communicated and supported by central top-management
Strategic meetings with multiple local and central hierarchy level involvement	+	local managers want to get more involved in the central strategy; current meetings are too big for real exchange; smaller strategy meetings involving a small number of countries are requested	
Strategic sales development workshops	n/a		
Strategic planning and reporting systems	-	the new systems are not implemented in the local organization; fear of too much bureaucracy; the indirect sales force leads to different reporting requirements than a direct sales force; filling in tools together with central and local managers largely improved the acceptance; local self-appraisal then was surprisingly open	no standardized planning process but individual local solutions; documented planning is often not followed; new strategic planning and reporting systems are aimed at increasing the accountability of local managers; lacking control mechanisms and lacking consequences are undermining these tools
Geographical focus in order to deal with limited resources	n/a		

Annex 6 Original Citations

ⁱ ‘Au final, les relations siège-filiales oscillent entre une volonté de contrôle du siège et une recherche de connaissances des filiales.’

ⁱⁱ ‘On est sollicité par des gens avec lesquels on n’a aucun lien. On nous demande de participer à des projets qui n’ont pas de répercussions immédiates sur ce qu’on fait au jour le jour. [...] Votre équipe, elle peut parfois reporter fonctionnellement à des gens qui ne dépendent pas de vous, parfois vous êtes informé, parfois vous n’êtes pas informé, parfois vous connaissez le résultat, parfois vous ne connaissez pas le résultat.’

ⁱⁱⁱ ‘Et tout le rôle de la direction générale est de faire fonctionner la matrice.’ (directeur de filiale).

^{iv} ‘...wenn der mir dann hilft hier mal einen Kunden zu gewinnen, dann ist das gut und dann kann er wieder wegbleiben, und rede mir bitte auch sonst nicht rein.’

^v ‘... ein Land wie X, die wachsen schön mit 10-15%, die sind praktisch unantastbar. Obwohl man genau sieht, das machen die mit einem neuen Account. ... und dann fragst Du, und wo sind 5 andere Accounts? Die gibt’s einfach gar nicht. Und da sind die Länder einfach sehr schnell zufrieden, happy und da hat man keinen Durchgriff. Und das ist ärgerlich.’

^{vi} ‘... da hätte ich mir ... ehrlicherweise mehr erhofft. Ich hoffe, dass wir über die ... Workshops jetzt ... eine bessere Vorgehensweise gefunden haben... bisher ist für mich ... das was International Sales da draußen macht, noch nicht irgendwie zurückgespiegelt worden aus den Ländern, als erfolgsbringend, ... Also ich glaube da fehlt halt auch der Zugriff, letztendlich ist auch International Sales ... ein zahloser Tiger.’

^{vii} ‘...wir entscheiden zentral ein Produkt zu machen, für das wir drei Jahre oder länger brauchen. Und da ist der Markt für das Produkt nicht mehr da. Wenn wir’s dann haben, ... meine ich. Der Markt entscheidet. ... je zentraler das entschieden wird, umso abstrakter ist es manchmal.’

^{viii} ‘Da kommt’s also zuerst mal darauf an, dass man gut kommuniziert miteinander. ...,dass man ihnen auch zeigt, dass man dahinter ist, dass man also auch den Spaß daran hat und den Spaß auch weiterträgt ... um das Ganze zu beleben muss man denen also auch Ideen liefern, und sagen, probiert’s doch mal so, oder wir sollten mal wieder dahingehend was machen, einen Workshop, was weiß ich, um die Leute wieder an den Tisch zu kriegen, dass sie sich gewahr werden, dass (Firmenname) da ist, (Firmenname, BU Name).’

^{ix} ‘...da kämpfe ich auch seit Jahren dafür, da sehe ich in der Kommunikation einfach auch das größte Potential mit dem wir besser werden können.’

^x ‘... ich lege eine Schablone hin, und fülle die mit Sand auf, das ist viel, viel leichter als, ich habe schon meine Sandburgen und drücke jetzt die Schablone rein.’

^{xi} ‘Ich glaube das ist, gewissermaßen ein Paradigmenwechsel. Denn, im, wenn ich das sonst so beobachte, auch in anderen SBUs, ist es doch eher so, wir entwickeln hier ein Produkt und sagen, das sind die Features, und jetzt verkauft mal, hier ist noch ein Prospekt...., das wird schon klappen, Und es klappt eben nicht! ... was wir hier machen ist, wir gehen tatsächlich in die Verantwortung und wir sagen, gemeinsam mit Dir, lieber Kollege im Land, nehmen wir uns gegenseitig bei der Hand und gehen direkt auf den Kunden zu und setzen dort um, was wir schon in anderen Ländern bewiesen haben, dass es funktioniert.’

^{xii} ‘...Heimatmarkt, wir’s mit einer höchst selbstbewussten Vertriebsmannschaft zu tun hatten, die uns zu verstehen gegeben hatten, wir wissen wie’s funktioniert, wir brauchen nicht aus dem in Führungszeichen Elfenbeinturm äh, irgendwelche theoretischen Lösungen übertragen bekommen, so wurde das nie ausgesprochen, aber so war das Verhalten über Jahre.’

^{xiii} ‘Und da kann man sich schon denken, dass die, die Länder auch sich so ein bisschen zurücklehnen und sagen na ja, jetzt warten wir erst mal ab, bis das Produkt wirklich da ist und dann können wir immer noch überlegen was wir tun.’

^{xiv} ‘Ich denke wir haben in der Vergangenheit die Kollegen in (Land2) einfach zu bestimmten Dingen gezwungen (lacht) - sie zu tun, um einfach das zu tun was die Zentrale will.’

^{xv} ‘... er fand die so interessant, dass er sich vom Marketingleiter ... am Montag danach nen Anruf bekam, der sich da jetzt schlau machen wollte, was wir eigentlich da treiben. ... das meine ich mit positivem Guerilla-Marketing, ich muss meine Wege mir selber bahnen. Und, das wäre ja schön, wenn’s irgendeinen Ablauf gäbe, wo ich dann komme und sage ,das sind die Lösungen, sagt mir, ob Ihr’s haben wollt’, ähm, aber so läuft’s nicht, also so lern ich das nicht kennen, bei uns im Haus.’

^{xvi} ‘...leb ich natürlich in einer relativ komfortablen Situation.’

^{xvii} ‚Wir sind relativ emotionslos an die Sache herangegangen, weil England hat zur damaligen Zeit, Zeitpunkt ja keinen positiven Einfluss auf unser Ergebnis gehabt. ... Und die Gefahr, dass das jetzt ein Erfolgsrezept für andere Länder wird, ist relativ wenig ausgeprägt.‘

^{xviii} ‚Ich fange da wieder von vorne an, das deckt sich einfach nicht, das passt nicht richtig zusammen. Das kann man sich schön reden, aber eigentlich passt es nicht zusammen.‘

^{xix} ‚...man kennt ja die Leute in diesem Land ..., nur ... hat man, was die Struktur angeht, kaum Einfluss ... Auf einmal sind drei Leute mehr da. Weil man irgendwo in (ein bestimmtes Produktsegment) rein will. Was bei uns gar keine Strategie ist. ... Es geht gar nicht darum, jetzt zu gucken, wer morgens früh um 8 Uhr oder um 9 kommt. Das ist nicht unsere Aufgabe.‘

^{xx} ‚Also wenn, die VORA und die Radar Screens usw. etwas ergeben, aber dann in den lokalen Aufsichtsräten Leute drinsitzen, die diese Dinge nicht kennen, oder in eine andere Richtung gerne gedreht haben wollen, dann wird das nicht funktionieren. Weil letztendlich der lokale Verantwortliche muss seinem Rat da eben halt die Rechnung präsentieren. Das ist das Entscheidende. Ja, da können alle VORAs dann auf dem Tisch liegen, ... wenn er vor seinen Rat tritt, ... und die sagen ok, die Ergebnisse sind nicht zufriedenstellend, machen sie was, dann wird jede VORA da über den Haufen geworfen werden.‘

^{xxi} ‚... man muss natürlich örtliche und zeitliche Schwerpunkte bilden. Und dort, wo man reingeht, muss man zumindest die gleiche Schlagkraft haben wie die Konkurrenz, ansonsten wird man sich schwertun. ... Man ist reingegangen, man hat Erfolg gehabt, zunächst einmal in der Nähe von (Firmensitz). Das hat dazu geführt, dass man von anderen Teilen des Landes dann Anfragen bekommen hat, und dann ist man überall hin gesprungen wo man eben halt angerufen wurde, anstatt zu sagen, nein, es tut uns Leid, das können wir halt jetzt nicht bearbeiten, wir haben hier so viel zu tun. Und sich wirklich konzentriert und diszipliniert in einem Cluster aufhält. Dass man dieses Cluster dann erfolgreich macht, und dann dieses Modell dann multipliziert. Ja, aber das ist eben halt immer ein bisschen das Problem, das wir auch mit anderen Subsidiaries haben, dass sie sehr stark vom Tagesgeschäft und Ausnutzen von irgendwelchen aufkommenden Opportunities geleitet werden.‘

^{xxii} ‚...zum Schluss muss es so sein, dass das Krankenhaus sagt, ja, ich will SurgiSupplies und ich will auch von Dir, Händler, SurgiSupplies geliefert.‘

^{xxiii} ‚...ich glaube dass die wirklich Unterstützung aus international sales wirklich ausschließlich darin liegen kann, dass eben diese Entscheidungen für oder gegen eine SBU, oder für oder gegen eine Investition, zu einem gegebenen Zeitpunkt wirklich begleitet, überprüft, nachvollziehbar oder eben auch kritisiert wird. Das würde bedeuten, dass eben die lokalen Herren ihre Karten offenlegen, dass das überprüft wird im Hinblick auf die strategische Linie und dass dann eben international sales betätigt wird, denn nur die sind es, die eigentlich in der Lage sind über alle sieben SBUs zu urteilen, während, sag mal einer aus der Sicht SBU 4 oder 5 lediglich eigentlich etwas beklagen kann, und eigentlich kaum die Möglichkeit hat, unmittelbar Einfluss zu nehmen.‘

^{xxiv} ‚...ich glaube das ist eigentlich die Expertise, die von Sales kommen muss, ja wie seit ihr aufgestellt, ja, wie ist eure Kostenstruktur, wie verteilt ihr eure, gegebenenfalls auch eure Expenses, auch da gibt's ja zu Teil ganz erratische Entwicklungen. Und da erwarte ich eigentlich, dass, äh, Global Sales so eine Art kritischer Sparringspartner ist für die lokale Organisation, ja, und weniger, warum verkaufst Du jetzt die Hüfte und jene Hüfte nicht, äh, oder warum lässt Du das zu und jenes nicht, ja. Aber ich glaube, es ist schwierig angesichts der Autonomie, die die ja haben vor Ort, äh, und es hängt eigentlich davon ab, äh, von der Akzeptanz und vom diplomatischen Geschick letzten Endes auch von Global Sales da wirklich tätig zu sein. ... ‚Habt ihr ne ordentliche Abwicklung intern? Habt ihr einen Kundenservice, der wirklich den Namen verdient?‘

^{xxv} ‚er ... meinte dann, er sei jetzt quasi der ... Neuerfinder des Fahrrads in (Land 4). Und da kommt er natürlich auch auf eine Konfrontation, das ist klar. Weil, die lassen sich einfach ... von vorne herein nicht so genau in die Karten schauen aber sie sagen natürlich auch, wir brauchen nicht einen eigenen ehemaligen Landsmann, der uns quasi das Rechnen beibringt, oder verkaufen, oder das Einmaleins. Wobei der Sergej schon von den Ansätzen das alles schon richtig gesehen hat. Aber du kannst einfach nicht sowas von einem Tag auf den anderen ändern.‘

^{xxvi} ‚...das ist doch eigentlich auch einer von uns. Und jetzt will der uns so besserwisserisch alles sagen.‘

^{xxvii} ‚... habe ich den Eindruck, dass der eine das initiiert, und dass es lokal dann nicht nachverfolgt wird, weil es vielleicht von (Land der Zentrale) aus initiiert wurde und ... sie sehen's nicht als ihr

Baby. Aber dass wir ihnen quasi einen Kunden ... auf dem Silbertablett bringen, ... der müsste nur noch gepflegt werden.^{xxvii}

, ... die globale Strategie, soll eine Rahmenbedingung sein, so eine linke, rechte Leitplanke, wo ich sage, also in dem Bereich sollten wir uns bewegen. Dass da natürlich durchaus unterschiedliche Varianten dann da entstehen an lokalen Strategien, ist ja logisch und sinnvoll. Ich erwarte aber, dass die Länder diesen Rahmen ... nicht durchbrechen und überschreiten. Also so praktisches Beispiel, wir wollen nicht in gewisse Technologie oder Produktsegmente rein und wenn dann Länder diskutieren, sie wollen's trotzdem aufnehmen und es trotzdem verkaufen, dann versuche ich natürlich schon deutlich zu machen, dass das nicht in unserem Interesse ist.^{xxix}

,Weil a) so möchte ich nicht arbeiten, also sprich, ich möchte nicht das Gegenüber sein, dem alles nur befohlen wird, was er zu tun hat und ähm, b) ist auch ein Stück weit Bequemlichkeit, wenn's nachher schiefgeht können die sich ganz entspannt zurücklehnen und sagen, der Ingo hat's aber so gesagt, und deswegen ist es auch schiefgegangen. ... Es gibt gewisse lokale Abweichungen, aber die ... muss man auch mal tolerieren. ... Wenn's erfolgreich ist, dann klopfen wir uns alle auf die Schultern Wenn's in die Hose geht, kann ich draufhauen und sagen, ja, ich hab's euch doch gleich gesagt' ... Also von daher habe ich da eine sehr komfortable Position.^{xxx}

,Wenn ich zu den Kollegen in Land 5 käme und sage: Edward, zeig mir mal Deinen Business Plan und Deinen Marketing Plan.^{xxx}, da wären die wahrscheinlich ziemlich pikiert und sagen: Was will den der da jetzt. Das geht die doch gar nichts an.^{xxx} Das ist das Problem was wir haben.^{xxx}

,Was wollen die Länder? Die wollen letztendlich, so wie sie's mir erzählen, sie wollen einfach die Begleitung in ihren Aktivitäten. Sie wollen nicht unbedingt, dass man bei allem dabei ist, aber man sollte zumindest ein paar mal im Jahr anwesend sein, mal ein paar Key-Kunden besuchen und einfach sich austauschen, über die Aktivitäten im Markt, über die Pläne im Markt und dann halt das ok geben, oder halt Verbesserungen einzufordern. Das ist eigentlich das was die Länder am ehesten möchten.^{xxxi}

,... dieses eine Meeting, (wird) mir heute noch als das Paradebeispiel präsentiert, was sie von uns erwarten. ... und sie sagen, mit diesem Support haben sie dann letztendlich dieses Wagnis begonnen, was dann letztendlich ein Erfolg war.^{xxxii}

,Stell Dir vor SurgiSupplies wäre ne Amerikanische Firma und das Headquarter wäre in den USA, dann muss ich mich einfach auf diesen Partner dort drüben einstellen. Und wenn ich da halt immer nur die Position vertrete, ja aber in Deutschland ist das anders, und ihr müsst dann halt auch mal an Deutschland denken, da muss man einfach offen sein, und da muss man das Glas mehr halbvoll sehen als halbleer und das sind Einstellungsdinge, wo ich heute einfach sagen kann, manche haben die und manche haben sie nicht. Und die, die's haben, die tun sich wesentlich einfacher und sind in der Regel mittel- bis langfristig auch erfolgreicher, als diejenigen, die's nicht haben.^{xxxiii}

,Vertriebssupport ist z.B. 5a, wie organisier ich mich, um 5a Produkte verkaufen zu können. Wie kann das aussehen, welche Best Practices gibt es usw.^{xxxiv}

,Das würde wirklich dazu führen: Ok, 5b macht einmal im Monat eine Telefonkonferenz, wir fliegen einmal im Quartal rüber. Dann würden wir sagen: Ok, wenn die einmal im Quartal rüberfliegen, machen wir das auch.^{xxxv}, dann wird der andere alle zwei Monate, und irgendwie war's wirklich so, dann wurde sich die Türklinke ... in die Hand geben, und jeder würde der Tochtergesellschaft: Meins ist wichtig, das ist am wichtigsten.^{xxxv}, und ich glaub, da haben wir wirklich noch lange keine wirklich gute Struktur gefunden bei SurgiSupplies. Das ist noch lange so, bisschen sehr, dem Egoismus des Einzelnen überlassen, ...^{xxxvi}

,... für mich ist Ehrlichkeit auch ganz wichtig ... Wir haben andere Länder, das ist klare ABC Abgrenzung, da gibt's die A Länder und für die sind wir da. B Länder, die können wir bedienen, wenn wir die Ressourcen dazu haben und C Länder, da werden wir, bis auf wenn ein Kongress stattfindet wahrscheinlich nie persönlich vor Ort sein.^{xxxvii}

,Man geht da auch über einen gewissen Zeitraum einen gemeinsamen Weg, man hat Erfolge, man hat Misserfolge, das schweißt auch ein Stück weit zusammen, aber da würde ich einfach sagen, über die Jahre ist man sich dann auch näher gekommen und man entwickelt mehr Verständnis für einander.^{xxxviii}

,Weil letztenendes, das ist so, glaube ich, das große SurgiSupplies Problem, wir wollen immer alles machen, und dafür nichts bleiben lassen. Und das funktioniert nicht. Wenn ich gewisse Dinge einfach konsequent betreiben will, dann müssen andere Dinge vernachlässigt werden oder auch ignoriert werden.^{xxxviii}

xxxix ,...dann ist es halt auch so, der Chef ist in manchen (Ländern) ,le Patron‘. Der steht halt oben vor und alle anderen nicken brav ab und sagen schön ist’s. Also Kritik ist nicht in jeder Tochtergesellschaft gut.’

xl The author could agree to this view from his own long lasting experience in two different local subsidiaries.

xli ,Dann war die erste Telefonkonferenz über das Pricing, da war der ... (Name des Produkt Managers) schon nicht mehr dabei. Dann habe ich nachgefragt, bekam ich keine Antwort. OK. Bekam ich am Freitag ein Email, dass die Preise nur über 2 Personen gehen werden. Warum? Weil sie Angst haben, der könnte jetzt mit dem Wissen ... flüchten...’

xlii It is common business practice that the ,starter kit‘ necessary for performing the surgical procedure for implant systems is provided as a permanent or case-by-case loan set to every customer, usually free of charge. This often represents an important up-front investment for companies in this field before actually doing business with a customer.

xliii ,Gelassen, mittlerweile gelassen. ..., ich denke wir haben uns ein Stück weit daran gewöhnt.’

xliv ,Ich glaube, dass ... Business Unit ... Strukturen schaffen helfen würde, ... in der Zentrale einfach einfacher, klarere Strukturen schaffen, klarere Strategie. Und dann eben auch kann’s nicht sein, dass zwischen Marketing und R&D das schon weich wird und wir dort nicht so richtig an einem Strang ziehen, und letztendlich müsste der Ansatz sehr stark aus der Zentrale kommen. Und wenn’s dann wirklich ... ein Business Unit Leiter oder einen Business Unit Leiter ... geben würde, dann hätte der einen ganz anderes Standing auch im Land...’

xlv ,Und das geht dann weiter Richtung Produktion, Richtung Supply Chain, in die ganzen anderen Funktionen herein. Auch dort musst Du hier intern ständig eigentlich versuchen für Deine Projekte, irgendwie good-will zu bekommen, dass der im Einkauf was bestellt, und, und, und, und... Ich glaub, also da sind wir schon mal nicht stark genug. Und das spüren die Länder auch draußen. Weil wir ja auch gegenüber den Ländern gar nicht mit dieser starken Position auftreten können.’

xlvi ,Ich denke, das ist Organisationsform abhängig und natürlich auch Unternehmenskultur abhängig. Ich meine diese Bandbreite und auch dieses Ausbalancieren hat uns ja auch in vielen Bereichen oft auch sehr erfolgreich gemacht. Und es ist ja auch manchmal gut, dass dann nicht, nur weil’s mal ein halbes Jahr in einem Land, in einem Produktbereich nicht so läuft sozusagen der Ruf kommt alle auszutauschen. Und da gibt es uns ja auch die Möglichkeit dann, gewisse Konzepte in Ruhe und ... mit guter Überlegung, nicht dem blinden Aktionismus weiterzutreiben. Ich glaub, da haben wir schon auch Vorteile, aber ... ich glaube schon, dass da andere Organisationen einen stärkeren Mechanismus ... haben, gemeinsame Ziele zu definieren und nachzuverfolgen und dann auch Konsequenzen draus zu ziehen.’

xlvii ,Also, es ist kein amerikanisches Treiben hier, sondern es ist einfach eine gute, anständige Kultur, wo man sich gegenseitig respektiert, und aber doch kommuniziert, mal im plus und einmal im minus.’

xlviii ,Also ich glaube auf jeden Fall, dass wir hier bei SurgiSupplies hier eine besondere, eine eigene Unternehmenskultur haben, die aus dem langjährigen Erfolg, aus dem dann auch von vielen Mitarbeitern mitgetragenen Werteverständnis, auch aus einem gewissen Stolz bei SurgiSupplies zu arbeiten basiert. Wir sind aber auch geprägt davon, dass eben wir letztendlich eine relativ gutmütige Unternehmenskultur haben, das Wort Sanktion ist mehr oder weniger eigentlich unbekannt, was das Arbeiten ja auch zu einem gewissen Grad angenehm macht, aber uns auch nicht gerade zu höchster Dynamik treibt. Dazu kommt eben ein extrem gewachsener, bürokratischer Dschungel, der nicht mehr ganz klar manchmal ist und in unseren Prozesswelten ja dann auch fast schon schildbürgerstreicheartige Ausmaße annimmt.’

xlix The medical device market is strongly dominated by American companies. In 2010 American companies held a market share of x% in this field.

¹ ,Solange das Ergebnis stimmt macht, macht es aus meiner Sicht nicht so viel Sinn da groß einzugreifen. Da hat sicher jeder ne andere Art und Weise Dinge zu verkaufen. Solange er sie verkauft, und erfolgreich verkauft, macht es aus meiner ... Ansicht keinen Sinn, das zu uniformieren. Zu sagen Du musst immer mit roter Krawatte und immer morgens um 9 Uhr zum Kunden, weil die Kunden sind auch sehr unterschiedlich.’

li ,Und die Länder spielen das ja auch ganz geschickt mit, dieses Spiel, weil die suchen sich ja nach wie vor eben auch aus, sozusagen, welche Produktgruppe ist gerade für mich die interessanteste und springen da ja auch gern mal von einem Thema auf’s andere und da fehlt dann eben vielleicht auch mal die Konsequenz in der Zielerreichung. Wenn’s dann halt bei Produktgruppe x Widerstände gerade im Markt gibt, ach, dann hat gerade aber Produktgruppe y ein tolles neues Produkt oder hier in Produktgruppe z kommen die gerade mit ganz guten, dann shiftet man da mal ganz schnell rum und

Hauptsache das gesamt lokale Ergebnis stimmt dann wieder. Also das spüren wir glaube ich schon jeden Tag, dass das so ist.^{lii}

^{lii} An investment planning system has been recently established within this company. For each five year planning period each of the 25 strategically most important countries needs to define the product groups in which it intends to invest over-proportionally and this planning needs to be agreed on by the central divisional headquarters.

^{liii} ,... wenn ich einen hab, der 30 Jahre Vertriebserfahrung hat, den ... muss ich anders steuern als einen der gerade frisch von der Uni oder von der Schule kommt.^{liv}

^{liv} ,Also letztendlich haben wir ein Netzwerk von einzelnen Leuten, ... unser Geschäftsmodell, auf dem das basiert und wenn die Leute uns rausbrechen, spüren wir das sofort.^{lv}

^{lv} ,Wir haben das Gefühl, dass weder in der eigenen Organisation, noch äh auf Kundenseite mit offenen Karten gespielt wird. Sondern es ist alles verklausuliert und wir haben den Code nicht geknackt hier aus Tuttlingen. Ähm, wir haben wahrscheinlich auch mit unseren Lösungen, die wir im, im Rucksack haben, die sehr stark auf Effizienzsteigerung, auf Sicherheit, auf Qualität abzielen in Kombination, haben wir noch nicht den Eindruck, dass das tatsächlich auf Kundenseite in (Name des Landes) tatsächlich wahrgenommen wird, überhaupt interessiert.^{lvi}

^{lvi} ,Ausland? Sie denken doch nicht, dass wir uns mit den Landesfürsten anlegen, mit diesen hochkomplexen Themen!^{lvii}

^{lvii} ,In der Produktion ist definiert, wo der Kreuzschlitzschraubenzieher weltweit zu hängen hat, und im Vertrieb, ,alle Macht den Ländern', macht halt mal, wie ihr's denkt.^{lviii}

^{lviii} ,... dass man nicht nach dem amerikanischen Geschäftsmodell arbeitet, also ich investiere jetzt und ernte nachher. Sondern das ist ja immer so ein gleichzeitiges investieren und ernten und investieren und ernten Geschäftsmodell.^{lix}

^{lix} , Und bei dieser Definition der Points of Sales, dürfen wir eben dann nicht zu viele nehmen, sondern wir müssen sagen ok wir wollen eben im Bereich der Viszeralchirurgie, oder in der Orthpädie, oder in der Neurochirurgie oder in der Herzchirurgie oder in der Wirbelsäulenchirurgie oder in der Kardiologie was machen. Aber wir dürfen nicht überall in jeder chirurgischen Disziplin dann wieder präsent sein.^{lx}

^{lx} ,... jetzt könnte ich betriebswirtschaftlich werden, es gibt ja Arbeitsteilung und Arbeitseinung. Arbeitsteilung heißt da in dem Falle Ablaufstrukturen, es gibt SBU 3a ..., also strategisches Marketing, und lokale Strukturen, ... jeder hat so ein bisschen Verantwortung, es gibt einen Divisionmanager im Land, es gibt den Geschäftsführer im Land, ... dann gibt's eben Global Sales, es gibt eben alle möglichen Gruppen, ... dann gibt's den Regional Head, wie ist die Interaktion dieser Leute? Das ist dann die Arbeitseinung. Und ich glaub, das ist noch nicht gelöst.^{lxi}

^{lxi} ,...in der Größe gibt es kaum ein Zweites, das so harmoniedürftig ist, wie unser Unternehmen. ... und dann führt das eben dazu, dass jeder ein bisschen vor sich rumwerkeln darf...^{lxii}

^{lxii} ,Ich meine Verantwortung ist unteilbar. Und entweder hat sie der vor Ort, oder der in der Zentrale. Ganz einfach.^{lxiii}

^{lxiii} ,...wenn in Südkorea die Vertriebskosten zu hoch sind, dann spreche ich ... Controlling an, die schreibt das Land an, dann kriegen wir eine Nebelgranate zurück und dann war's das. Und das können wir's nochmal machen, dann kriegen wir halt irgendwann keine Antwort mehr..^{lxiv}

^{lxiv} , ...wenn ein Markt ein Preisniveau bietet, das dann mit den SurgiSupplies Costrates etc. zu einem Preis führt, der unter unseren Herstellkosten liegt, dann gibt's nur zwei Möglichkeiten. Entweder man kann einen höheren Preis im Markt positionieren, oder man steigt aus dem Geschäft aus. Wir machen den Königsweg, wir reduzieren die Spanne für HospiMed. Um einfach die Leute nicht zu demotivieren und es wird auch kein Verlust generiert.^{lxv}

^{lxv} ,...wir sind einfach davon überzeugt, und ich glaube, wir werden auch dafür bezahlt, dass wir auch das so sehen ... und auch so fühlen, dass unsere Produktlinien ein großes Wachstumspotential für die Gruppe in Zukunft haben. So, und dafür brauchen wir natürlich Ressourcen, ... Und der arme Geschäftsführer in einem Tochterunternehmen, ... der muss natürlich aussuchen wo er sein Geld hinsteckt, ja?^{lxvi}

^{lxvi} , Weil ein Anwender, der ein relativ großes Budget im Krankenhaus verwaltet ..., der möchte einfach Weil ein Anwender, der ein relativ großes Budget im Krankenhaus verwaltet, ... der möchte das Gefühl haben, dass er mit der Firma ... langfristig adäquat und legal natürlich auch kooperieren kann. Wenn da laufend andere Gesichter kommen, wie soll der das Gefühl haben, und wenn's dann noch ein Division Management gibt, im Land, die Produkte gar nicht kennen, und gar nicht zum Kunden gehen... Und wenn kein Vertrauen ... ,dann können wir uns tagelang über Produkte unterhalten, oder über Preise, das hilft nicht.^{lxvii}

lxvii ,...mir war das natürlich nicht bewusst, dass das in unserer Matrix Organisation alles unverbundlich ist, letztendlich.‘

lxviii ,Das ist auch aus meiner Sicht eigentlich der wirklich entscheidende Punkt, ja, wie groß ist das Durchhaltevermögen?‘

lxix ,... die versuchen zu rekrutieren erfahrene Orthopädieleute und versuchen das wahrscheinlich zu Konditionen, über die eh niemand kommt. ... oder Du kriegst dann eben nur zweit oder drittklassiges Personal, was die anderen aussortieren. Wir haben das ... schon immer zu ihnen gesagt sie sollen junge Leute nehmen und die ausbilden. ... Dann kommt aber von ihnen das Argument, ... wir bilden die Leute aus und wenn sie gut sind, dann holt sie der Wettbewerb.‘

lxx ,... die haben die Beziehung ins Krankenhaus und wenn das Krankenhaus heute sagt, ja ok, ich will Produkt x, dann kaufen die halt Produkt x wenn sie's bekommen, also sie sind also nicht aktiv bereit unbedingt jetzt auch einen Wettbewerber auf SurgiSupplies umzustellen. ... Weil die eben ihre Marge sehen, das ist mir egal, ich hab die von jedem wo ich kaufe.‘

lxxi

lxxii ,Ich kenne jetzt einen Fall von Codman. ... Da sagt die Zentrale in der USA was zu tun ist. Und da muss eins zu eins das aber auch so umgesetzt werden. Das führt manchmal dann dazu, dass nicht die Landessprache gesprochen wird, sondern die amerikanische Art und Weise dann in dem Land adaptiert wird und das stößt im Land oft auf entweder geringe Akzeptanz oder auf Unverständnis. Also ich kenne einige Beispiele wo Codman auch die Strategie knallhart über die Länder ausgerollt hat. Und im Endeffekt sind sie nicht erfolgreich gewesen, weil einfach die Länder sich dann auch zu wenig berücksichtigt sehen. Und ich denk da haben wir dann eher den Vorteil zu sagen, ja, sieht lokal immer ein bisschen anders aus, aber durch diese lokale Färbung wird vielleicht auch unser Erfolg in der Summe höher.‘

lxxiii

,Also ich, ich überspitz es mal so, in dem einen oder anderen Land, lebt sich's als Regional Head von SurgiSupplies relativ sorgenfrei. Weil man genau weiß, also eigentlich, die in der Zentrale, die machen eigentlich was ich sag. Und nicht andersrum.‘

lxxiv ,...aus ihrer Sicht, der Marketing Manager ... von der Zentrale im Bereich der SBU 4, der muss ein richtiger, sagen wir mal Show-man sein. Der muss Public Relations machen können und sie werfen einfach vor, dass das unsere Leute nicht können. Genau das gleiche bei SBU 3a, da sagen sie auch, Mensch, ... wir stehen ... in der Konkurrenz zu großen Amerikanern!‘

lxxv

,Unser Job ist wie Sport, man gewinnt mal, man verliert mal, und wenn man dann in einem Land sagt, ich mach in SBU 5a gar nichts, und ich setz da auch keine Ressourcen dafür frei, da bin ich für so eine klare Aussage manchmal auch dankbar, oder meistens dankbar. Weil da weiß ich ganz genau, wir müssen auch keine Ressourcen da reinstecken. Aber ich habe null Problem damit, wenn ein Land zu mir sagt, ich habe weder Ressourcen, noch die Manpower, noch die Kompetenz, das Wettbewerbsumfeld ist zu schwierig, oder die Preissituation ist so schlecht bei mir im Land. ‘

lxxvi

,...wir haben begrenzte Ressourcen, wir können nicht alles machen, ...und eine SBU guckt immer in die Röhre.‘

lxxvii

,Wobei wir versuchen uns ein bisschen unentbehrlich zu machen, ein bisschen auch immer sogar uns immer wieder in Erinnerung zu rufen.‘

lxxviii

,Wo uns dann einfach mal Länder gesagt haben, ihr habt keine neuen interessanten Produkte, wir fokussieren uns jetzt auf die Endoskopie, da sehen wir ne Chance, dass wir schneller einen Euro Umsatz machen können. Was aber, wenn das langfristig gesehen würde, ja ok wäre, aus Unternehmenssicht. Das ist aber wirklich nur auf den 31.12. gesehen. Und man meint dann, ok, in Zukunft wird's so weiter gehen. Und man sieht nicht, wenn ich da nichts mehr tu, bricht das andere weg.‘

lxxix

,So, den informieren wir gar nicht, sonst hat der nur einen blöden Kommentar. Oder verbietet uns was. Und dann geht man auf uns zu und dann ruf ich dem Regionenleiter an und sag: ,Macht das Sinn?‘ ,Nee, das macht keinen, furchtbar schrecklich, machen wir auf gar keinen Fall!‘ Zack, Funkstille.‘